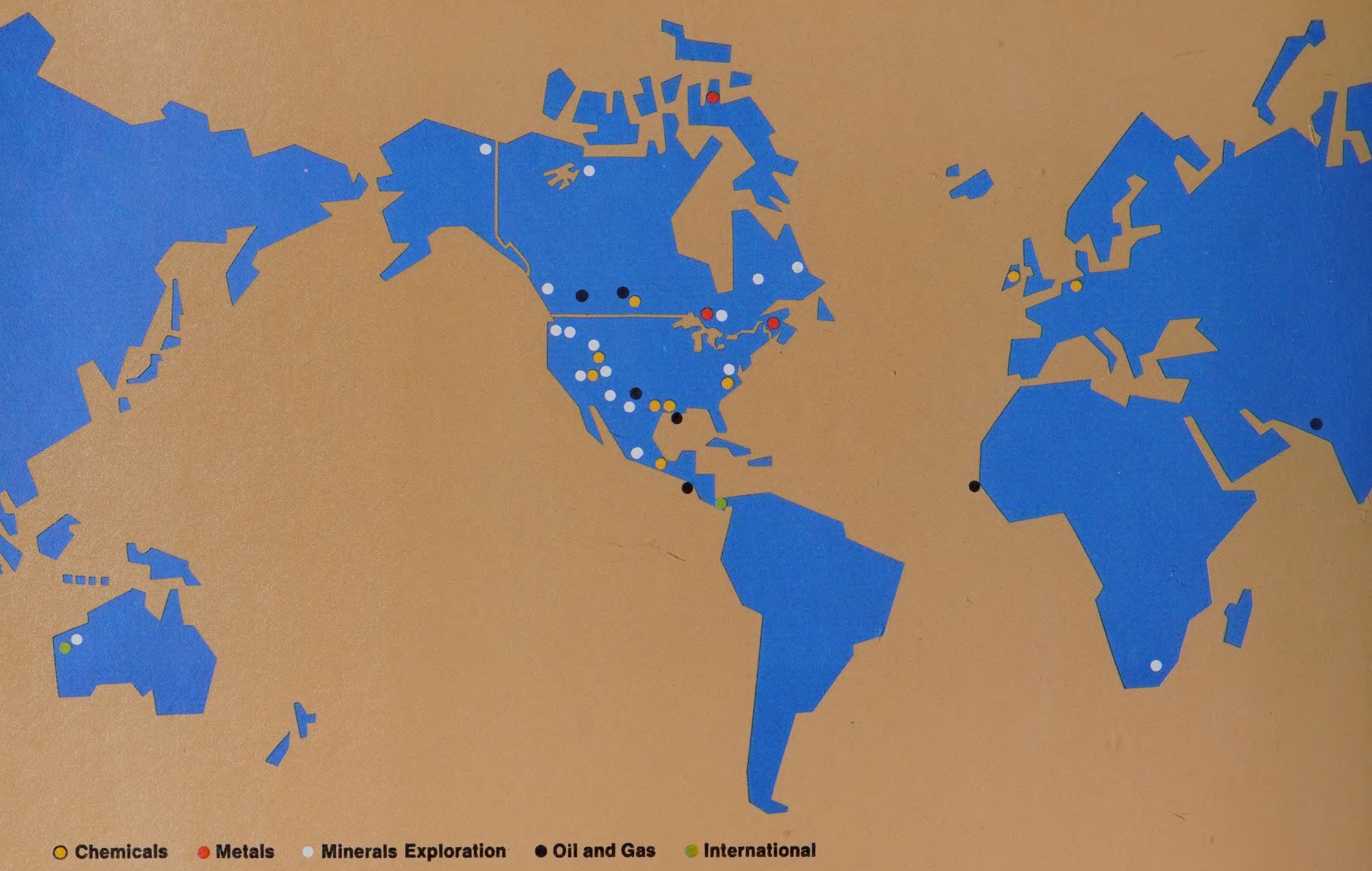
AR24

Texasgulf

Annual Report 1975



Ten Year Summary of Production (Figures are in short tons unless otherwise noted and indicate Texasgulf's share)

Product	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
Sulphur (long tons)	2,151,000	2,494,000	2,639,000	2,868,000	2,839,100	2,955,500	3,043,700	3,030,000	3,031,000	2,993,000
Oil & Condensates (barrels)	259,200	248,900	248,700	244,000	226,000	277,000	304,000	289,100	297,900	334,800
Gas (million cubic feet)	18,487	20,754	17,786	17,861	14,836	11,646	10,657	10,000	9,557	8,280
Potash	529,800	616,200	513,800	518,400	266,900	430,800	440,100	410,000	338,000	286,000
Sulphuric Acid	1,533,300	1,560,000	1,137,000	1,035,000	744,000	670,000	686,000	697,000	525,700	24,000
Phosphoric Acid (as 54% P_2O_5)	884,200	869,400	605,700	594,300	477,500	435,100	439,700	443,600	325,000	9,000
Dry Phosphate Fertilizers	450,600	461,500	345,500	405,700	281,000	298,800	365,600	409,000	275,600	5,000
Copper Concentrates	238,400	241,200	206,900	182,200	182,100	172,000	184,000	205,400	205,000	9,400
Zinc Concentrates	504,700	580,400	589,900	616,700	590,800	582,800	582,100	562,500	432,000	28,000
Lead Concentrates	31,600	36,200	36,900	42,100	61,900	70,400	93,900	96,000	43,000	1,000
Silver (troy ounces in concentrates)	9,235,000	10,553,000	10,691,000	13,039,000	12,720,000	13,023,200	13,822,000	13,968,000	7,800,000	
Cadmium Metal (lbs. in concentrates)	2,555,000	3,151,000	2,960,000	3,034,000	3,214,000	3,201,000	3,156,000	3,049,000	1,989,000	
Zinc Metal (from Tg Zinc Plant)	93,000	107,900	107,100	60,100						
Iron ore sinter fines	728,000	738,400	460,000	156,200						
Iron ore pellets	395,100	429,300	387,000	34,500						
Gypsum (sales)	130,000	129,000	115,000	58,000						
Tin (lbs. in concentrates)	628,400	486,200								
Hydrofluosilicic Acid	99									
Dicalcium Phosphate	16,100									
Limestone	60,700									

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As a Texasgulf shareowner, I'd like more information about the Automatic Dividend Reinvestment Plan, under which my dividend payments and cash payments up to $3,000 each quarter can be used to purchase additional shares of common stock for my account.

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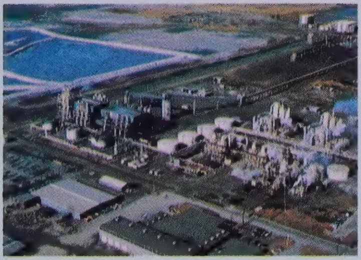
Texasgulf Inc. 1975 Annual Report


Chemicals

Farm

Metals

Minerals Exploration

Oil and Gas

International

1975 Highlights

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Annual Meeting. The annual meeting of shareowners will be held in the Houston Club Building, Houston, Texas on Thursday, April 22, 1976. Notice of the meeting, proxy statement and proxy will be sent to shareowners on or about March 22, 1976.

Texasgulf's Form 10-K Report to the Securities and Exchange Commission for 1975 will be available upon request to the Corporate Secretary, Texasgulf Inc., 200 Park Avenue, New York, N.Y. 10017.

About the Cover. The cover scene is a typical drilling rig on one of the many minerals exploration projects carried forward during 1975.

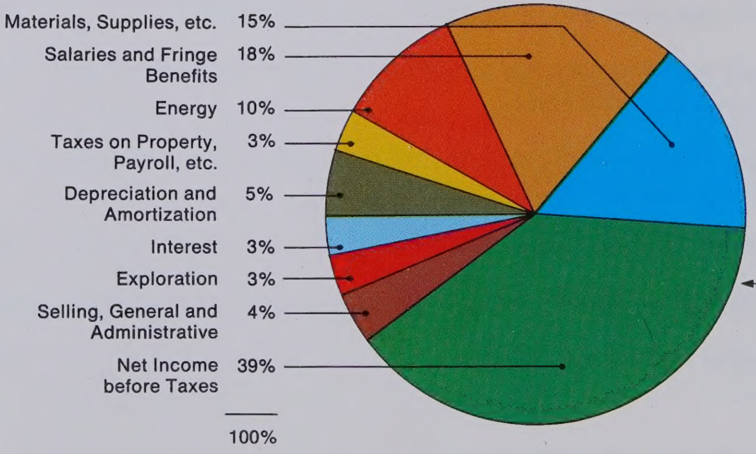
Texasgulf Inc. and Consolidated Subsidiaries

Comparative Highlights

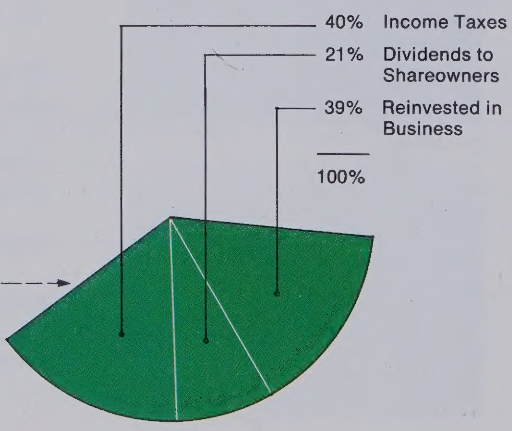
	1975	1974*	1973*
Sales	**$ 444,645,000**	$568,526,000	$363,776,000
Net income	**$ 103,224,000**	$147,300,000	$ 73,969,000
Net income per share	**$ 3.37**	$ 4.83	$ 2.43
Dividends paid per share	**$ 1.20**	$ .98	$ .64
Working capital	**$ 186,508,000**	$192,035,000	$114,176,000
Ratio of current assets to current liabilities	**2.8 to 1**	2.4 to 1	2.7 to 1
Total assets	**$1,155,738,000**	$976,937,000	$775,967,000
Long term debt, less current portion	**$ 227,913,000**	$134,729,000	$157,180,000
Stockholders' equity	**$ 628,127,000**	$559,352,000	$439,747,000
Number of employees as of Dec. 31	**4,874**	4,345	3,971
Number of shareowners of record Dec. 31	**64,534**	66,881	64,841
Average number of shares outstanding	**30,615,846**	30,483,276	30,417,336

*Restated. See note 1, page 37.

Distribution of Sales Dollar (1975)



Distribution of Net Income Before Taxes



To Our Shareowners:

Texasgulf's results for the year 1975 were the second best in the company's history, exceeded only by the record earnings of 1974. This achievement during a period of severe recession is indicative of Texasgulf's basic strengths and provides confidence that improved performance and growth will continue.

Texasgulf's production operations were good throughout the year. Most facilities ran at nearly full capacity, including sulphur, oil, gas, potash, and ore production at Kidd Creek. The Kidd Creek zinc plant was operated at an average of 75 per cent of capacity and the Lee Creek fertilizer operations at 94 per cent.

Net income for 1975 was $103,224,000, or $3.37 per share, compared with $147,300,000, or $4.83 per share in 1974.

Inventories higher in several products

The excess of production over sales resulted in an increase of product inventory value to a total of $139,460,000, or nearly double that of 1974. At December 31, 1975 inventories included:

Sulphur (long tons)	3,292,000
Zinc concentrates (tons)	109,800
Zinc metal (tons)	39,900
Copper metal (tons)	7,500
Phosphoric acid (100% P_2O_5) (tons)	18,783
Dry phosphate fertilizers (tons)	80,000
Potash (tons)	195,500

Development projects progressed satisfactorily in 1975, although rapidly inflating engineering and construction costs were painful. The Wyoming soda ash project and the Kidd Creek metals mine and concentrator expansion are on schedule. The new Frasch sulphur mine at Comanche Creek, and the Lee Creek fertilizer materials expansion were completed as scheduled and only slightly over budget. Considerable engineering and design work was done on the 130,000 ton-per-year Kidd Creek copper smelter and refinery. Because of the adverse effects of inflation and uncertainties caused by worldwide economic conditions, scheduling of the project is being altered somewhat. Construction will be undertaken in two separate units, each of 65,000 tons capacity per year. The first unit should be completed by early 1979. The second unit will be built later.

Charles F. Fogarty Richard D. Mollison

Outlook for 1976

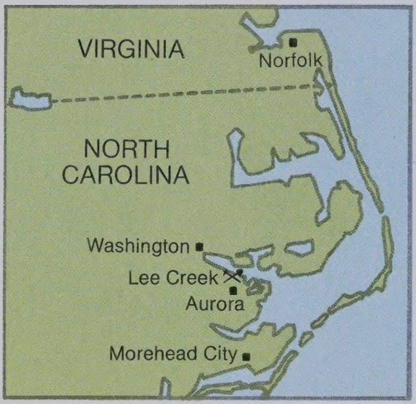
Demand for metals and fertilizers was soft during 1975. Natural resources are usually the last to suffer during a recession, and usually are among the last to recover.

Earnings were down in 1975 for metals, phosphate and potash, and higher for sulphur, oil and gas.

If the slow but apparently steady recovery worldwide in consuming industries continues, 1976 should show an improvement in sales.

In October 1975, the Canadian government announced its anti-inflation program. However, plans to impose a special levy on profits from export sales were dropped by the government on February 27, 1976. Based on the present published regulations, some price increases in products, including copper, sold for consumption in Canada would now be permitted under the program. The ability to increase Canadian domestic prices under the present regulations depends on unit production costs and base-period profits. In announcing the removal of the special levy on export sales, the Canadian Minister of Finance also indicated that further relief may be provided for the base metals industries from the price control rules which apply to domestic sales.

Chemicals Division



Chemicals Division expanded capacity and added new products

Sales of the Chemicals Division amounted to $236,306,000 in 1975 compared with $260,315,000 in 1974. New products added during the year included hydrofluosilicic acid, dicalcium phosphate and feedgrade limestone.

Production of agricultural and chemical products in 1975 compared with 1974 included:

(Short tons of product)	1975	1974
Dry phosphate fertilizers	450,600	461,500
Phosphoric acid 54% P_2O_5	884,200	869,400
Potash	529,800	616,200
Sulphur (long tons)	2,151,100	2,494,000
Gypsum (sales)	130,000	129,000
Hydrofluosilcic acid (23% H_2SiF_6)	99	None
Dicalcium phosphate	16,100	None
Feedgrade limestone	60,700	None

Dry phosphate fertilizer materials include granular triple superphosphate, diammonium phosphate, and run-of-pile triple superphosphate. Phosphoric acid is sold either as 54% P_2O_5 or as 70% P_2O_5 super acid.

Phosphate fertilizer production continues to expand at Lee Creek

During 1975 rapid progress was made in the continued expansion of facilities at the Lee Creek, North Carolina phosphate fertilizer complex. The fourth sulphuric acid and phosphoric acid units were completed and started up at the beginning of the fourth quarter. These new plants have increased production capacity by 170,000 tons to a total of 680,000 tons of 100% P_2O_5 per year.

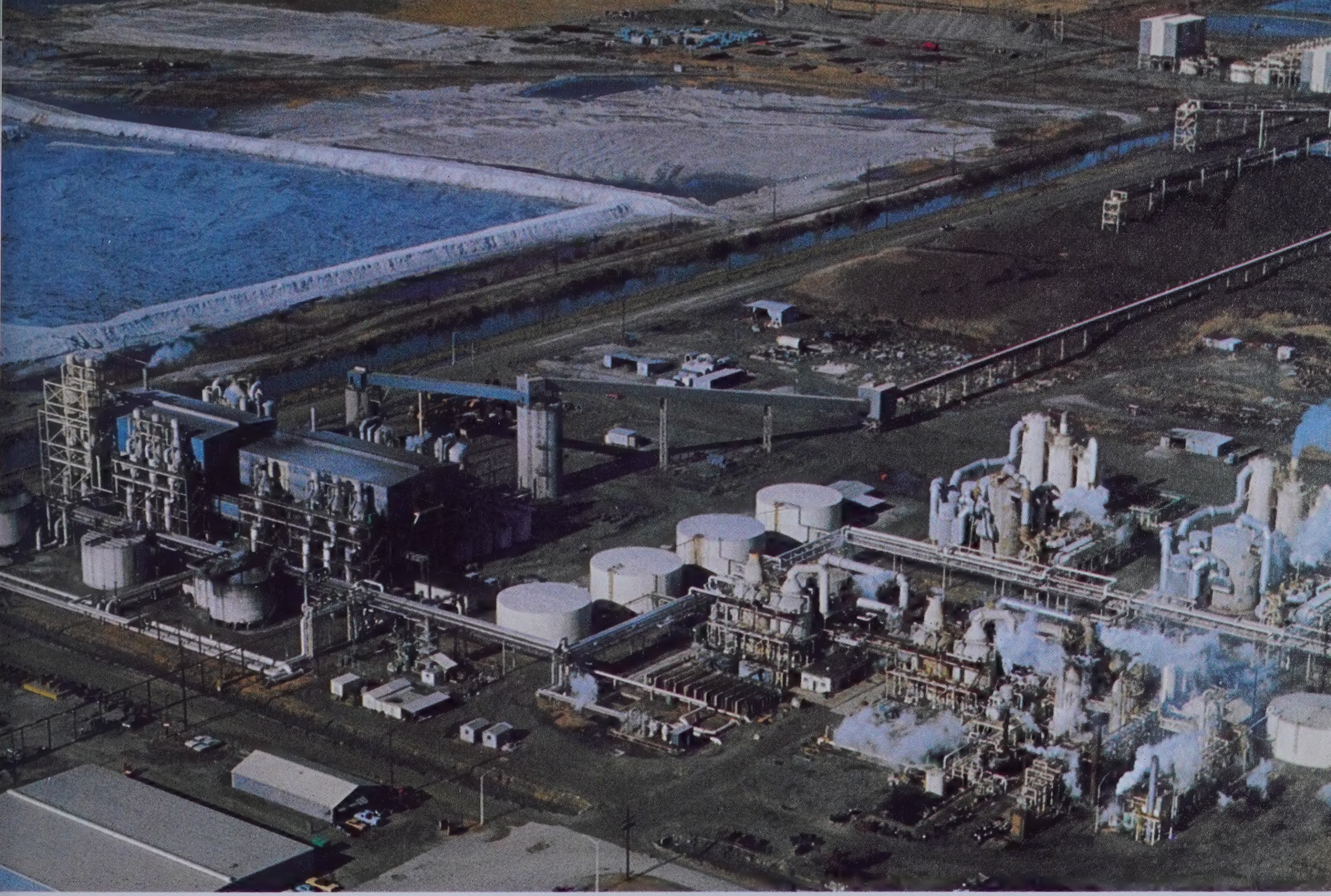
A new 255,000 ton-per-year granular triple superphosphate plant and a new superphosphoric acid plant were completed in December. Superphosphoric acid capacity was increased by about 50 per cent to nearly 270,000 tons per year.

Phosphate mining capacity is being increased by the addition of a 50-cubic-yard dragline and a 30-inch dredge. The expansion of mining and concentrating capacity from 3.5 to 5 million tons of phosphate rock per year will be sufficient to supply all presently planned fertilizer additions and also provide over 500,000 tons per year of phosphate rock for outside sales.

Shipments of phosphoric acid started from new deep water terminal

Overseas shipments from the new 20,000-ton phosphoric acid storage terminal on deep water at Morehead City, North Carolina, began in June. The first export shipments of phosphate rock in two years were made in December, 1975. Texasgulf's reentry in the phosphate rock market was made possible by the expanded mining capacity.

Rapid progress in expanding production facilities for phosphate fertilizer materials was made during 1975.



Completion of the fourth units for production of sulphuric and phosphoric acid increased Lee Creek's capacity to an annual rate of 680,000 tons per year of 100% P_2O_5.

Phosphate rock production in 1975 set a new yearly record, 3 per cent higher than 1974. Production of superphosphoric acid in 1975 was also a new annual record, increasing 14 per cent over the previous year.

Production of hydrofluosilicic acid (23% H_2SiF_6), a by-product of the phosphoric acid plant, began in 1975 and the first sale was made in December. The facility is designed to produce 8,000 tons per year of 100% equivalent hydrofluosilicic acid. The 23% acid is used primarily for municipal water fluoridation.

Dicalcium phosphate and feedgrade limestone are new Tg products

Texasgulf is now producing feedgrade dicalcium phosphate and feedgrade limestone at Weeping Water, Nebraska, about 30 miles south of Omaha in the heart of the farm belt. Acquisition of an underground limestone mine and processing facilities, which use Lee Creek superphosphoric acid, was completed in May, 1975. Sales of products from Weeping Water were more than 78,000 tons during 1975 and were improving.

A letter of intent has been signed with Toyo Soda of Japan for the evaluation of a foodgrade purified phosphoric acid processing plant to be constructed at Lee Creek. The purified acid would compete with electric furnace acid in the detergent, animal feed and food supplement industries. Preliminary plans are for production of 75,000 tons per year of 100% P_2O_5 product equivalent. Many electric furnace operations will have to close down soon because of the high costs of electric power.

Phosphate Chemicals Export Association formed

Texasgulf is one of eight companies which in 1975 established a Webb-Pomerene Act corporation to market their export sales of phosphate fertilizer products which qualify under the Act.

Members of the new corporation, the Phosphate Chemicals Export Association, Inc. (Phoschem), include Agrico Chemical Company, Beker Industries, W. R. Grace & Co., International Minerals and Chemical Corp., Occidental Chemical Company, Philipp Brothers of Engelhard Minerals and Chemicals, and The Royster Company. Phoschem is now responsible for export sales of all phosphate fertilizer products for the participating companies.

Chemicals Division

U.S. phosphate fertilizers are placed at a competitive disadvantage by discriminatory trade barriers imposed by the European Economic Community. In forthcoming trade negotiations the fertilizer industry is urging the removal of import duties of up to 13% which do not apply to all producing countries.

Phosphate marketing affected by slowdown in worldwide demand

World consumption of phosphate fertilizer materials decreased for the first time in many years from 24 million tons in 1974 to 23 million tons in 1975, a startling and unfortunate development in view of the world's desperate need for more food.

At the beginning of 1975, phosphate prices were at record levels. Farmers on a worldwide basis resisted by limiting the use of fertilizers and relying on residual nutrients in the soil.

Domestic phosphate fertilizer prices declined from the record levels which existed in early 1975 by about 35 per cent, and export prices have returned to their historic level, or slightly below domestic prices. Both are still at profitable levels.

Farmer resistance to pricing and the completion of several phosphate fertilizer expansion projects in the United States have resulted in a buildup of inventories in the United States.

A good spring season in 1976 is expected, with a 2 per cent increase in domestic acreage planted and more emphasis on crops such as corn and cotton which require more fertilizer than soybeans. The reduction in fertilizer prices and the strength of the grain markets should give added impetus to consumption in 1976.

Potash production improvements are being sought in Utah

Potash production in 1975 was adversely affected by weather conditions in Utah and the political climate in Saskatchewan.

Operating procedures in the solar evaporation ponds at the Cane Creek Mine in Utah were improved but production was lower because of higher than normal rainfall. Production of potash fell from 261,000 tons in 1974 to 224,300 in 1975.

Experiments to increase solar evaporation by the use of sprays and dyes were made during the year. New harvesting techniques were also tried. Results of these tests are encouraging.

Experimental work on solution mining outside of the old underground mine workings continued.

First overseas shipment of phosphoric acid from a new storage terminal on deep water at Morehead City, North Carolina was made in June, 1975.

Results from the first test well were encouraging and other tests using several new wells will be made during 1976.

Allan Potash Mines production in Saskatchewan below plan

Allan Potash Mines in Saskatchewan, 40 per cent owned by Texasgulf, finished the year 1975 under the cloud of confiscatory taxation and a threat that it, along with other potash mines in Saskatchewan, might be expropriated by the Province.

The production and manpower problems at Allan were well on the way to resolution by year-end. Daily tonnage of ore hoisted increased from an average of 5,887 during the first three months to 8,200 tons in December.

Texasgulf's share of production at Allan in 1975 was 305,500 tons compared with 355,200 tons in 1974. For 1975, Texasgulf sales of potash from Allan amounted to approximately 2 per cent of consolidated sales.

Saskatchewan government plans to expropriate potash industry

The government of Saskatchewan is proceeding with its announced plan to expropriate some or all of the producing potash mines in the Province which have been developed over the past 20 years by the hard work and large investments risked by thousands of investors in a dozen privately owned companies.

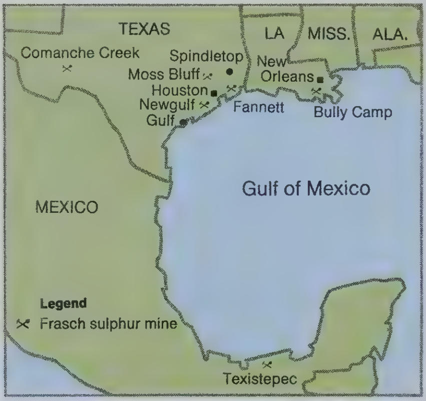
Legislation authorizing the government to expropriate any desired potash mine was passed in January 1976, culminating a long confrontation between the privately owned companies and the provincial government.

Production of potash by solution mining and solar evaporation may be increased by the use of new experimental techniques being tested in Utah.

To set the stage, the government imposed a variety of levies, including a so-called reserves tax that, together with other taxes, take 80 to 90 per cent of any profit. As a result, the potash producers were left without hope of receiving a reasonable return on investment. Expansion plans could no longer be justified. When the potash producers challenged the constitutionality of the onerous reserves tax, the government announced its plan to take over the industry, blaming the companies for failing to increase production when the government had itself created the climate which made such expansion impossible.

The present replacement cost of the producing potash mines, not including property rights of the owners in the ore reserves and going concern value, is probably three or more times the original cost considering inflation of capital costs. There appears to be no intent on the part of the Saskatchewan government, however, to pay a fair price. In the event of expropriation, the legislation provides that the price will be the amount a willing buyer would pay assuming a tax burden equivalent to the confiscatory amounts mentioned above. With such an assumption, no buyer would be prepared to pay much if

Chemicals Division



anything. The statutory formula is unfair and, if pursued by the government, will result in the properties being taken for a fraction of their true value. Fair compensation requires payment of the replacement value of the property, including the owner's interest in the value of the ore reserves.

Mining is a very cyclical, risky and capital intensive business. There are many expensive failures and the investments required for the comparatively few successes are long-term. To attract private capital, a stable investment climate is required. When property rights are ignored by governments, whether in tax measures or in acts of expropriation without fair compensation, the confidence required for further mining investment is severely damaged.

Nevertheless, Texasgulf remains hopeful that, in time, reason will prevail and that a more hospitable climate for investment in Saskatchewan will appear, including a drastic reduction in the tax burden. The Saskatchewan government has been told that Texasgulf wants to stay and to expand its operations but that the tax burden must be reduced. Texasgulf intends to use every legitimate means at its disposal to defend the rights in Saskatchewan of Texasgulf's more than 65,000 Canadian and American shareholders. It also intends to play its full part in developing the resources of the province.

Potash Marketing

World consumption of potash was 20 million tons in 1975, down slightly from 20.8 million tons in 1974. During the year the demand for potash was subject to the same worldwide trends as those affecting phosphate fertilizers. Producer inventories have risen to high levels, but consumer inventories, particularly in the fall application areas of the United States, have been reduced. The higher prices in export markets have moved toward the domestic levels where the price increased approximately 15 per cent in 1975.

Heavy domestic consumption of potash is anticipated in the spring of 1976, and the export market is expected to resume at 1974 levels in the fall of 1976 when foreign customers have depleted their heavy inventories. The lack of current expansions in the potash industry and the long lead time required to expand production should return potash to a healthy supply-demand position by early 1977.

New Comanche Creek mine

Production at the new Frasch sulphur mine, Comanche Creek, near Fort Stockton in West Texas, began on

Comanche Creek, a new Frasch sulphur mine near Fort Stockton in West Texas, began production in December 1975.

December 8, 1975. Production from this new mine is expected to be significantly greater than the decline which occurred in 1975 at the other Frasch mines in Texas and Louisiana.

Early in 1976 production was suspended at the Spindletop, Texas mine because the reduced level of production due to depletion of reserves, the very high cost of natural gas and increased labor and material costs had made the operation uneconomic. Production had declined from 662,000 tons in 1966 to about 85,000 in 1975. Spindletop had produced 10 million tons of sulphur since it opened in 1952.

Production costs continued to rise at the other Frasch mines but at a lesser rate. Gas prices increased 44 per cent in 1975 compared with 115 per cent in 1974. As a dramatic illustration, the cost of gas to produce 1 ton of sulphur rose from $2 in 1970 to $20 in 1975. Shipping costs also increased substantially.

Sulphur production and shipments increased at the Texistepec Mine operated by Compania Exploradora del Istmo (CEDI) in Mexico. Texasgulf has a 34 per cent interest in this operation. Additional reserves of sulphur contiguous to Texistepec will be acquired by CEDI in 1976 when Anamex is merged with CEDI. Texasgulf has a 34 per cent interest in Anamex which it acquired from Mineral Resources International, a Canadian company, in 1972. The remaining 66 per cent of Anamex is owned by Fomento Minero, an agency of the Mexican government. In 1975 Tg purchased about 495,000 tons of sulphur, which was slightly less than 60 per cent of CEDI's production.

Texasgulf's share of production at recovered sulphur plants in Alberta was somewhat lower in 1975.

Outlook for growth in sulphur

The worldwide recession in 1975 reduced sulphur consumption from the record rate of 1974. The economic slowdown and advance buying in 1974 resulted in reduced sulphur shipments to Western Europe. The industrial market in the United States also suffered as a result of the recession. Sulphur sales to the phosphate fertilizer industry remained at about the same level as last year.

World consumption of sulphur in 1975 amounted to 45.2 million tons compared with 46.8 million tons in 1974. World production increased to 50 million tons from 49.5 million tons in 1974.

Industrial markets for sulphur have grown more slowly than those for fertilizers but are still very important. Sulphuric acid remains the king of chemicals and is used in almost every industry. Several relatively new and expanding markets have been developed and potential markets are under study which will create additional demand for sulphur.

Two current industrial uses of sulphur which are expected to expand in the future are the processing of uranium ore and the leaching of copper oxide ore. With the 5 or 6-fold increase in imported oil prices and the 10-fold increase in some U.S. natural gas prices, power companies are increasing their demand for uranium.

Sulphur used in asphalt paving is also a large potential market. With petroleum-based asphalt becoming scarce and expensive, up to one-third of the asphalt used in paving materials could be replaced by sulphur and result in a better product.

Sulphur as a direct plant nutrient has increased in recent years to help offset the increasing use of sulphur-free fertilizers and the decreasing amount of sulphur released into the atmosphere due to more stringent air pollution regulations.

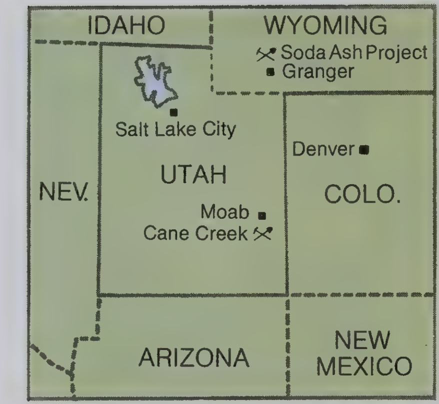
Frasch sulphur prices increased during 1975. Texasgulf announced an increase of $8 per long ton on March 18, 1975, bringing the price of sulphur to $65 per long ton at Tampa, Florida.

Soda ash plant and mine will begin producing in 1976

Plant construction and mine development continued on schedule for Texasgulf's trona mine and soda ash processing plant near Granger in southwestern Wyoming. Production of soda ash is scheduled to begin in the third quarter of 1976. The initial production capacity of 1 million tons annually is readily expandable to 2 million tons per year.

The second mine shaft was completed to a depth of 1,560 feet at the end of September. Preliminary mine production continued from the upper of two flat-lying trona beds which are 1,370 and 1,420 feet below the surface. Both beds contain large reserves which average more than 90 per cent trona. Many miles of underground development entries have been driven and over 200,000 tons of ore have been stockpiled at the surface.

Chemicals Division



Exterior construction of surface facilities was substantially completed in 1975. The main building, which is 400 by 200 feet and 100 feet high, houses processing facilities.

The plant is designed with the latest environmental controls and the architecture has been planned so that the surface facilities will blend into their natural setting.

Water for plant use is pumped from the Green River 9 miles to the northeast. Tailings will be pumped to a pond 4 miles northwest of the plant. The tailings area is a natural depression helping to prevent any overflow to pollute waterways. Evaporation in the area exceeds rainfall and the water content in the tailings.

After sulphur, soda ash is the most basic industrial chemical. It is used in the glass, chemical, metallurgical and many other industries. Natural soda ash from trona has been growing in importance as older synthetic plants using the Solvay process are being closed because of high costs and pollution problems. Two more synthetic plants closed in 1975. It is expected that by 1980 most synthetic plants will have been phased out.

The demand for natural soda ash continues to grow, requiring more investment in expanding capacity. This has resulted in prices increasing from $40 to $49 per ton f.o.b. Wyoming.

Caustic soda-chlorine and ammonia

Engineering and feasibility studies have been made for a proposed caustic-soda and chlorine project in Texas, probably at Gulf in Matagorda County where Tg has extensive land holdings along the intracoastal water-way and the salt available from the old Gulf mine. Plans for an ammonia joint venture with Beker Industries in New Mexico have been suspended, but other possibilities for a joint venture in ammonia production are under consideration.

Farm Division will increase crop acreage in 1976

During 1975 farming operations included acreage under cultivation at Pamlico Farms in eastern North Carolina for growing corn, soybeans and other feed grains. Crop acreage in 1976 will be increased. The North Carolina cattle herd was maintained at about 2,400, and experimental work with small herds of woodlands buffalo continued at Johnsonburg, Pennsylvania, and at Timmins, Ontario. Woodlands operations continue on more than 280,000 acres in North Carolina, Pennsylvania and Ontario.

Texasgulf's new soda ash mine and processing plant in southwestern Wyoming will begin producing at the rate of 1 million tons per year in the third quarter of 1976.

Texasgulf's Wyoming soda ash plant is connected to the main line of the Union Pacific Railroad by a 4.5-mile spur. ▶

Metals Division

Kidd Creek concentrator achieves production goals

Sales of the Metals Division amounted to $195,922,000 in 1975 compared with $290,633,000 in 1974.

Production at the Kidd Creek Mine and concentrator in Timmins, Ontario, owned and operated by Texasgulf Canada Limited, continued at a high level in 1975. About 3.63 million tons of ore were processed compared with 3.72 million in 1974.

Concentrator and zinc plant production in 1975 compared with 1974 included:

(In short tons unless otherwise noted)	1975	1974
Copper concentrates (25% copper)	228,800	231,700
Copper silver concentrates	9,600	9,500
Lead concentrates	31,600	36,200
Zinc concentrates (52% zinc)	504,700	580,400
Zinc metal	93,000	107,900
Sulphuric acid	161,700	188,300
Cadmium metal (pounds)	940,000	782,200
Silver contained in concentrates (troy ounces)	9,235,000	10,553,000
Tin contained in concentrates (pounds)	628,400	486,200

The Kidd Creek zinc plant operated very well in 1975 with the capability of performing at 100 per cent for the year, which it did for January and February. However, due to the poor demand for zinc metal, the plant was operated at only 50 per cent for March, April and May and from 70 to 90 per cent from June through November, returning to 100 per cent in December. During this period maintenance was performed so that the plant is in excellent condition to maintain full production when required.

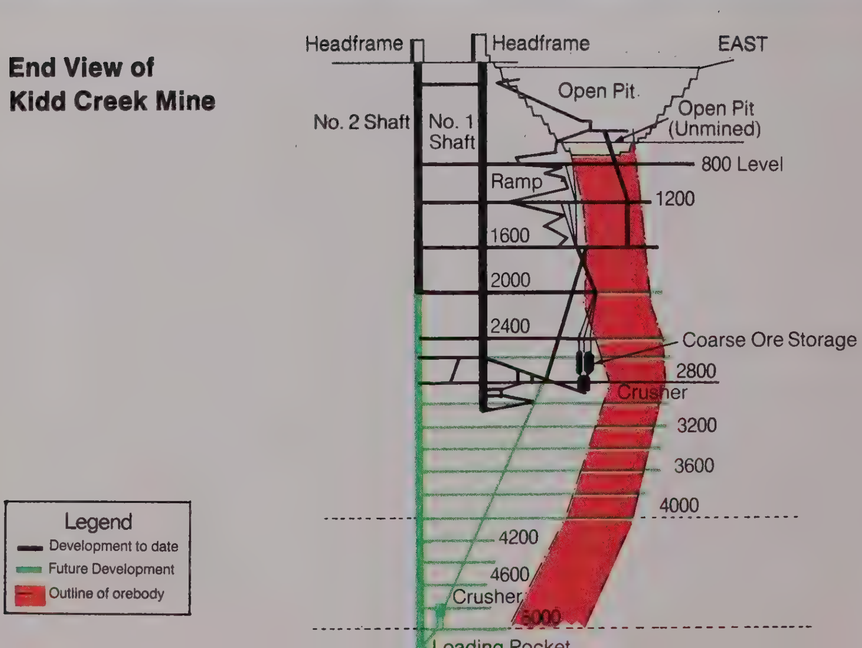
Underground mine production progressing satisfactorily

During 1975 mining continued from the open pit and underground. About 2.27 million tons of ore were mined from the open pit and 1.36 million tons from underground. In 1976 the roles of the open pit and underground mines will be reversed with the underground mine supplying the majority of the ore. Mining in the open pit is scheduled for completion at the end of 1976.

The backfill plant has been completed and the first backfilling of mined-out stopes is scheduled for mid-1976. A lean concrete mix using waste rock from the open pit and slag will be used in the backfilling operation.

The underground mine has been operated at its designed capacity for short periods of time with good results from the 800 and 1200-foot levels. Development has also started on the 1600-foot level. The use of large rotary drilled blast holes for

End View of Kidd Creek Mine



During 1975 a backfill plant was added to surface facilities at the Kidd Creek mine. Backfilling of mined-out stopes will permit 100 per cent recovery of ore. ▶

Metals Division

underground stoping has proved successful and will increase efficiency and reduce costs.

The expansion program to increase production and processing of ore from 3.6 to 5 million tons per year by the addition of the No. 2 underground mine and a fourth circuit in the concentrator is on schedule.

Development of the second mine continued with the completion of the 6-foot pilot borehole from the surface to the 2,800-foot level. Enlargement of this opening and lining with concrete to a finished inside diameter of 25 feet has progressed to the 2,600-foot level. On completion of the mile-deep shaft over 112,000 cubic yards of rock will have been removed making it the largest shaft excavation in Canada.

Surface construction for the No. 2 mine is on schedule. The new headframe is ready for installation of hoisting machinery, and good progress has been made on the collarhouse, service building extension and ore handling facilities.

New facilities added at metallurgical site

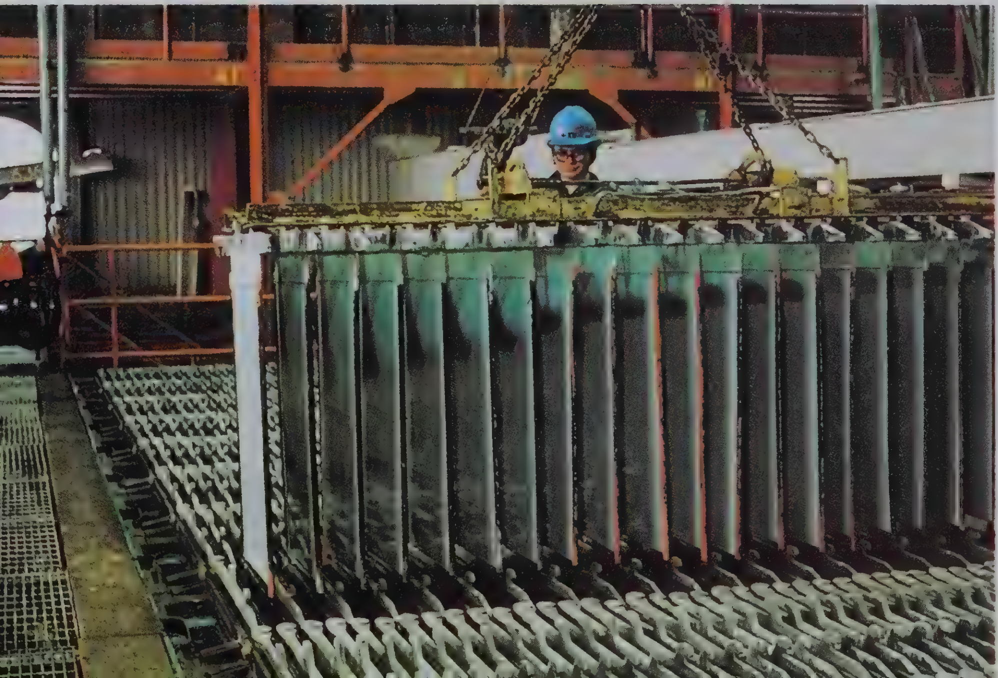
At the metallurgical site a new warehouse, a maintenance building and chemical laboratory were completed and occupied. These facilities were formerly located in the east quarter of the concentrator building which is now available for the fourth 3,500-ton-per-day circuit without any major building expansion. Design work for the new circuit is nearly finished and installation is ready to begin, with start-up scheduled for late 1978.

An agreement was signed in mid-1975 with the Mitsubishi Metal Corporation of Japan for the process license and basic design of a continuous copper smelter and mechanized copper refinery. This system was chosen as the most environmentally sound pyro-metallurgical copper smelting process in existence today as well as the most efficient and lowest cost.

Site preparation for the copper smelter and refinery was completed and construction will start this spring with start-up scheduled for late 1978. SNC of Montreal has been retained for the detailed design and construction.

Investigation into hydrometallurgical treatment of the high silver lead concentrates continues. A pilot plant has been operated with encouraging results for six months. A feasibility study is now being prepared for a 200-ton-per-day hydrometallurgical plant which would process the high silver lead concentrates, leach residue from the zinc plant, and flue dust from the copper smelter.

The Kidd Creek zinc plant in 1975 demonstrated its capability to operate at 100 per cent capacity. Production was limited by market demand.



At the Kidd Creek metallurgical site a new warehouse, maintenance building and chemical laboratory, shown at the far right, were completed in 1975, preparing the way for addition of a fourth circuit in the concentrator, center. The zinc plant is on the left.

Ore reserves above 2,800 feet estimated at 92 million tons

From the start of operations in November 1966, through December 31, 1975 the Kidd Creek Mine produced a total of 32.2 million tons of ore that assayed 1.58% copper, 0.37% lead, 9.50% zinc and 4.02 ounces of silver per ton.

At the end of 1975 ore reserves above the 2,800-foot level were estimated at 92 million tons. Of that total 86 million tons were classified as proven and probable ore containing an estimated 2.70% copper, 0.21% lead, 5.92% zinc and 2.31 ounces of silver per ton. An additional 6 million tons were classified as inferred ore.

The diamond drilling program from the 2,800 foot level to outline the ore zone below that horizon continued during 1975. Twenty-four out of 34 inclined diamond drill holes intersected ore. The deepest hole indicates ore to at least the 5,000-foot level, and the ultimate depth and dimensions of the orebody are still unknown.

Other metals projects on Baffin Island and in New Brunswick

On Baffin Island construction of facilities for the first commercial mine in North America north of the Arctic Circle continued on schedule. Production is planned for late 1976 at the rate of about 130,000 tons of zinc concentrates and 10,000 tons of lead concentrates with some silver annually. Texasgulf retains a 35 per

Metals Division

cent net profits interest in the mine which will be operated by Nanisivik Mines Ltd. Texasgulf will purchase 20 per cent of the zinc concentrates produced and will furnish, if needed, up to $10 million in overrun financing.

At the Half Mile Lake zinc-copper-lead project in New Brunswick, consideration is being given to the sinking of a 2,800-foot exploratory shaft. The shaft would permit a better evaluation and facilitate drilling underground. More than 6 million tons of zinc-copper-lead mineralization have been established.

Long-term growth for metals expected

1975 was a very poor year for producers of metals, including copper, zinc, cadmium and, to a lesser extent, silver. Copper, silver and cadmium prices were considerably below the average for 1974, and the zinc price, although basically stable, was affected by the weakness of the pound sterling.

Texasgulf's price of zinc in the U.S., which remained at 39.5 cents a pound for special high grade throughout 1975, was reduced to 37.5 cents in January, 1976. The European producer price which is applicable to most of Texasgulf's zinc concentrate sales dropped from about 39 cents at the beginning of the year to 35.75 cents at year-end.

Zinc concentrate production in 1975 exceeded sales and Tg inventory increased by about 25,000 tons.

Fabricators' and consumers' inventories of zinc were at high levels at the beginning of 1975. With our customers operating at drastically reduced levels, it took almost the entire year to reduce customer inventories to a manageable level. With the anticipated recovery in the business of our zinc customers and their greatly reduced zinc inventories at the beginning of 1976, the year should show a marked improvement in sales with stable prices. The long term growth outlook for zinc remains very favorable.

The copper business was seriously depressed worldwide during 1975 although Texasgulf sales were at higher levels than many producers. The copper price in the U.S. and Canada, where 75 per cent of Texasgulf's copper is sold, fell to 63 cents in February and remained at that level for the balance of the year. The LME price began the year at about 55 cents and fluctuated between that level and 60 cents for most of the year, drifting downward to 53.5 cents by year-end. At these prices most of the world's

Construction of the concentrator for the first commercial mine in North America north of the Arctic Circle continued on schedule on Baffin Island.

The deep sea loading dock for the Nanisivik zinc-lead mine production facilities is shown in the foreground of this aerial view taken at midnight in mid-August.

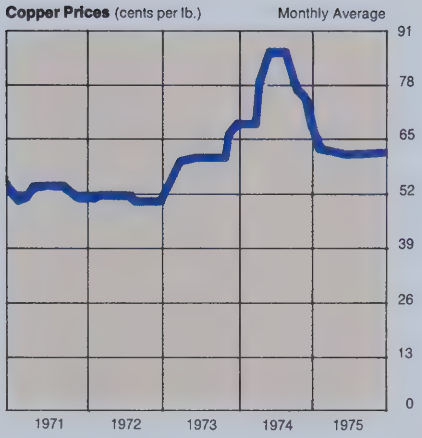
copper reserves cannot be profitably mined. Some high-cost copper mines have suspended production and others will have to follow unless there is a significant increase in the price of copper. Texasgulf has one of the world's lowest cost copper mining operations, and its copper business remains profitable.

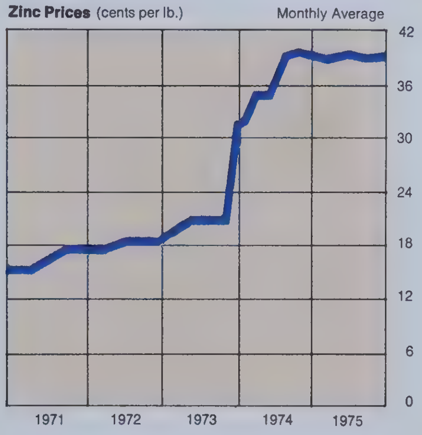
Silver demand by industry was reduced by the general recession, but the price remained at between $4.20 and $5 an ounce until year end when the price dropped below $4 for the first time in eighteen months. Improvements in demand and price in 1976 are anticipated.

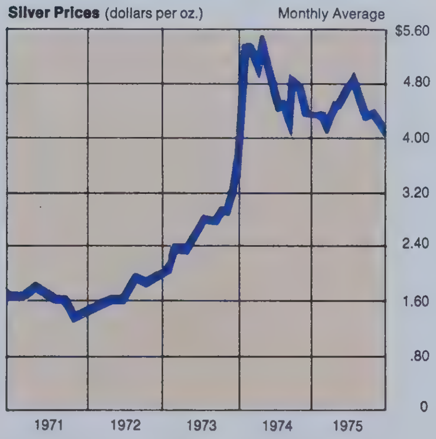
Cadmium demand remained at a very low level throughout the year with the price falling from $4.25 a pound to $2 by year end. These lower prices stimulated demand. Its major use in pigments represents a potential growth area.

The tin price remained reasonably stable between $3.25 and $2.75.

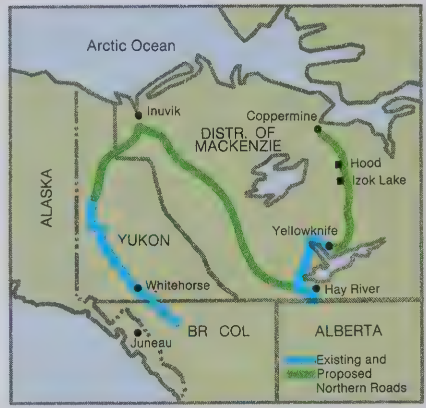
The lead price was depressed throughout the year but Tg's production of lead concentrates moved regularly. The price was 19 cents a pound at year-end.







Minerals Exploration Division



Izok Lake exploratory drilling obtains excellent results

At Izok Lake in the Northwest Territories of Canada, 225 miles north of Yellowknife, an important base metal sulphide deposit was discovered on claims owned entirely by Texasgulf. Very high grade metal values were logged in 31 diamond drill holes. The 1975 field season indicated three sulphide zones in the deposit which occurs partly under Izok Lake and partly under a 750-foot-long island in the southern portion of this shallow lake.

The central zone, which remains open to the east, has been drilled over a strike length of 1,400 feet and contains over 7 million tons of indicated ore with an average grade of 3.15% copper, 14.8% zinc, 1.2% lead and 1.85 ounces silver per ton of ore. The top of the orebody is at or near the surface thereby making it suitable for an open pit operation. The two other zones have not been delineated in any direction. Drilling will resume in April of this year.

Twenty-five miles north of Izok Lake, drilling continued at the Hood River No. 10 prospect where a mineralized zone comprising 500,000 tons assaying 5% copper, 3.5% zinc, and 1.0 ounces of silver per ton, has now been defined.

In the same vicinity another massive sulphide deposit, No. 41, was discovered. Limited drilling indicates that the No. 41 deposit contains at least 320,000 tons assaying 1.57% copper, 4.12% zinc and 0.52 ounces of silver per ton, to a depth of 200 feet. Further drilling will be required to determine the extent of this deposit.

Texasgulf now holds over 1,500 mining claims—roughly 75,000 acres—in the area of the Izok Lake and Hood River deposits. Several other promising mineral showings on these claims will be investigated during 1976.

Other minerals exploration projects in Canada included investigations in British Columbia, Newfoundland, Ontario and Quebec.

Minerals exploration in United States

In the United States, minerals exploration programs were carried out in Alaska, Idaho, Washington, Oregon, Colorado, Wyoming, Utah, New Mexico, Texas, Minnesota, Wisconsin, Oklahoma, North Carolina and Virginia.

Work on the Radon Springs uranium project in Wyoming has yielded encouraging results. During 1975 a total of 195,000 feet of drilling was completed. Texasgulf controls 5,800 acres containing as many as 15 dif-

Minerals exploration camp at Izok Lake, 225 miles north of Yellowknife in the Northwest Territories.

An important base metal sulphide deposit has been found by drilling at Izok Lake. It occurs partly under the lake and partly under a 750-foot-long island in the southern portion of the lake shown above.

ferent uranium-bearing horizons up to four miles long at depths of 50 to 550 feet. Ore reserves of over 4 million pounds of U_3O_8 amenable to open-pit mining have been calculated for one area of 364 acres.

Approximately 300,000 feet of drilling is planned for 1976 in order to further delineate favorable uranium horizons elsewhere on the property. Texasgulf owns 100 per cent of 3,600 acres and is in partnership with the Phelps Dodge Copper Company on a 50 per cent basis on 2,200 acres.

Uranium exploration is continuing in Utah, New Mexico and Texas.

At Red Ledge, Idaho, a large area of copper-zinc-silver mineralization is being delineated by diamond drilling. One mineralized zone is more than 600 feet long, 250 feet wide and at least 1,000 feet deep. Diamond drilling is continuing at Red Ledge

Minerals Exploration Division

and the nearby Iron Dyke, Oregon prospect.

Massive sulphide exploration is also underway on several Texasgulf properties in the Appalachians and in Alaska.

Porphyry copper exploration continued throughout the western United States. Several prospects are scheduled for drilling in 1976.

An agreement has been signed with the Golden Cycle Gold Corporation which gives Texasgulf a majority position in the rights to explore and mine gold deposits in the greater part of the famed Cripple Creek Gold Camp west of Colorado Springs, Colorado. Exploration has started searching for both open-pit and underground reserves from near surface to depths of 5,000 feet.

Exploration continues for sulphur, phosphate and potash

Most of the effort on sulphur exploration is in West Texas, including geological mapping, geophysical surveying, and drilling of favorable targets. Negotiations are underway to acquire additional sulphur exploration areas in West Texas.

Exploration in the western phosphate fields commenced during 1975 and resulted in acquisition of lands over a large phosphate deposit near Vernal, Utah. Drilling and metallurgical work are scheduled for early 1976.

A program to find new U.S. potash reserves has commenced and will be directed toward evaluating evaporite basins in the United States.

Other minerals exploration work continues overseas

In Australia, work continued on several prospects in northwestern Western Australia near Texasgulf's iron ore projects. Shallow drilling is continuing within the Mons Cupri-Whim Creek massive sulphide basin. Samples for metallurgical testing were taken at a large iron-titanium-vanadium deposit at nearby Don Well.

In South Africa, drilling was completed on the Pandora chromium-

Taking samples of uranium mineralization at Radon Springs, Wyoming.

Minerals exploration projects in 1975 included drilling for massive sulphides on both sides of the Snake River. The view here is from Iron Dyke, Oregon.

Minerals exploration camp at Red Ledge, Idaho, where a large deposit of disseminated and massive copper-zinc-silver mineralization is being delineated by diamond drilling.

platinum project and an incline was driven during the year to obtain a large bulk sample for pilot mill testing. Results of this test work are still incomplete, but the initial data strongly suggest that the large reserves may justify construction of a plant for production of ferro-chrome needed in the stainless steel industry.

In Mexico, diamond drilling at the Rio Murga property extended the known massive sulphide reserves to 9 million tons of about 1% copper and 1% zinc. The last hole completed in December had the best results ever encountered at this property. It had about 200 feet true thickness of massive sulphides averaging 1% copper. The last 74 feet of core averaged 2.12% copper and 1.76% zinc. Drilling is continuing in 1976 to test continuity of the main zone at depth and to the east.

Oil and Gas Division

Sales of oil and gas increased in 1975

Gross sales of oil and gas in 1975 amounted to $11,855,000 compared to $8,980,000 in 1974. Price increases during the year, mainly in western Canada, accounted for most of the increase.

Oil and gas production in the United States and Canada included:

	1975	1974
Oil and condensate (bbls.)	259,200	248,900
Gas (million cubic feet)	18,487	20,754

Texasgulf will be receiving revenues from the sale of natural gas from two more leases in the Gulf of Mexico during 1976. On West Cameron Block 544 a well has been connected through an adjoining operator's platform and gas is being delivered into the Natural Gas Pipe Line system at an initial rate of 10 million cubic feet per day. Tg's interest in this well is 25 per cent.

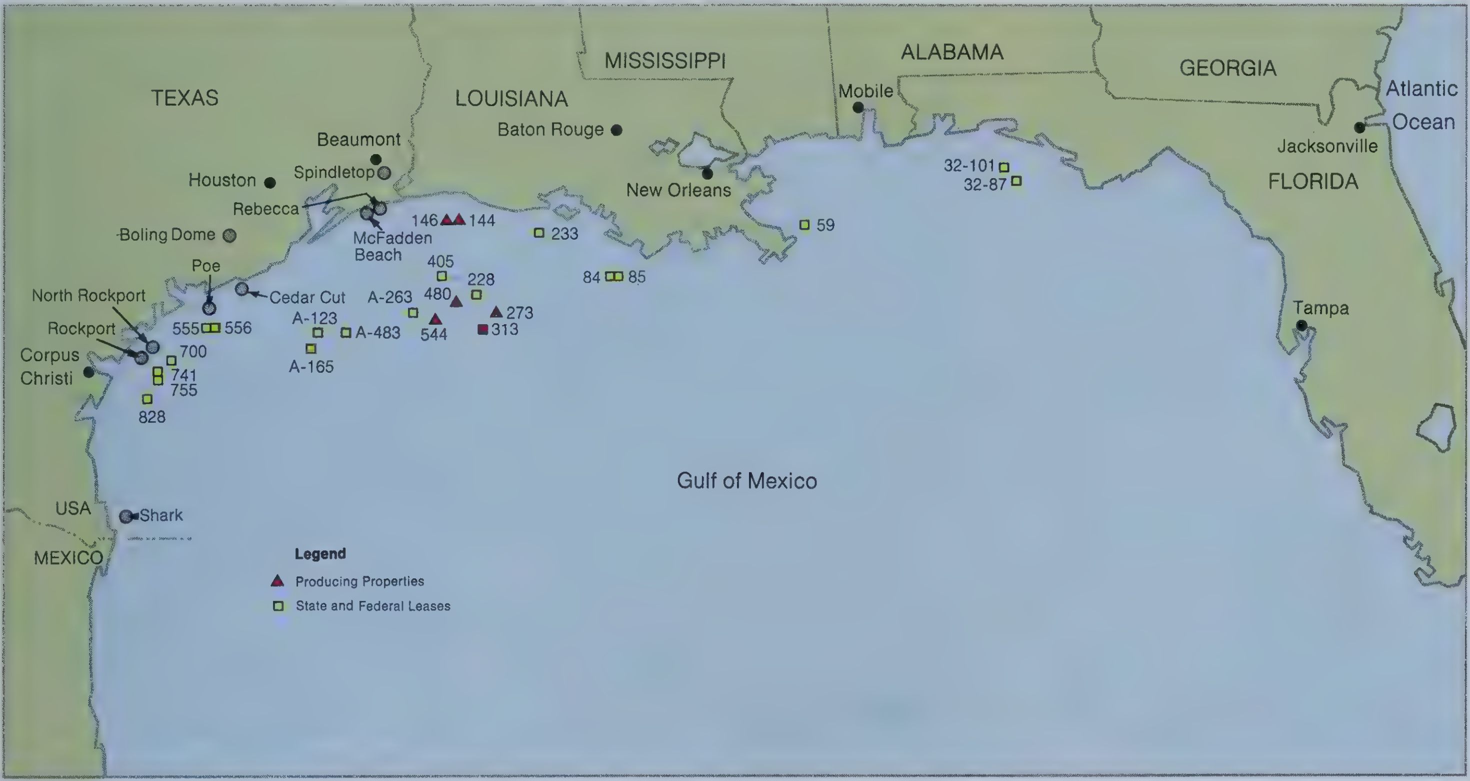
On West Cameron Block 480, Texasgulf has a 20 per cent interest in 11 wells, 4 of which are completed from more than one reservoir. A contract for the sale of this gas has been negotiated with Texas Eastern Transmission Corporation under which Tg has received an advance payment of $4,750,000. The production facility is virtually complete and first deliveries are expected to commence at rates of 80 to 100 million cubic feet of gas per day late in the second quarter of 1976.

In addition to its 5 producing properties in the Gulf, Texasgulf has varying interests in 18 Federal and 36 State of Texas leases which have not yet been fully evaluated. During 1975 the company participated in 6 wildcat wells: 3 offshore Louisiana, 1 off Texas, and 2 in the Eastern Gulf. Non-commercial gas shows meriting further investigation were encountered in 2 of these, and in only one were the results such as to condemn the property tested. Block 32-132 in the Tarpon Springs area offshore Florida was surrendered in December. Another lease, East Cameron 320, expired under its terms on January 31, 1976.

The present controlled price for new interstate sales of natural gas, 52 cents per thousand cubic feet, is totally inadequate to offset rising capital costs for exploration and development. Future activity in the offshore areas of the United States will necessarily suffer unless some relief is forthcoming. As a consequence, more emphasis will be directed toward established producing provinces onshore where costs and prices are more compatible even though the potential for large reserves is lower.

Failure of Congress to recognize

Production platform nearing completion on West Cameron Block 480 in the Gulf of Mexico offshore Louisiana. Tg has a 20 per cent interest and has received an advance payment of $4,750,000.



this relationship between present prices and future supplies will continue to hamper any attempt to establish a measure of self-sufficiency for energy in the United States, whether that goal is to be achieved by expanded exploration for conventional petroleum reserves or by developing viable alternatives.

Federal leases acquired in the Gulf of Mexico in 1975

Date	Area	Tract	Acres	Tg Interest	Tg's Share
TEXAS					
March	Matagorda Is.	555	5760	20%	$ 502,600
March	Matagorda Is.	556	5760	50%	429,100
March	Matagorda Is.	700	5760	20%	1,041,300
March	Mustang Is.	755	5760	20%	1,441,100
March	Mustang Is.	828	5760	20%	241,700
LOUISIANA					
May	Ship Shoal	84	5000	33⅓ %	526,000
May	Ship Shoal	85	5000	50%	228,000
May	Main Pass	59	1406	25%	192,000
July	West Cameron	405	5000	25%	1,878,300

New oil and gas acreage was acquired in 1975

Recognizing the impact of this regulatory climate, Texasgulf initiated lease acquisition programs in 1974 and 1975 in the Williston Basin of Montana and in the Anadarko and Arkoma basins of Oklahoma. By the end of 1975, Tg had accumulated 82,447 gross acres, or 20,505 net acres in these two areas. In Oklahoma 5 prospects were drilled during 1975 and 3 discoveries were made. The Texasgulf interest in these properties ranges from 5 to 50 per cent.

During 1975, Texasgulf also participated in 15 development wells. Nine were completed for production

Oil and Gas Division

in the Gulf of Mexico on West Cameron Block 480, where Texasgulf has a 20 per cent interest. Three others were completed in western Canada.

Texasgulf also continues to maintain active exploration programs with other companies in the Gulf of Mexico, in several areas of Alaska, and in the foothills of western Alberta. Bidding at three Federal lease sales held in the Gulf of Mexico during 1975, Texasgulf and various partners were successful in acquiring nine tracts in offshore Louisiana and Texas. Texasgulf's holdings in the Gulf of Mexico now include 23 Federal and 36 state of Texas leases, totaling 149,558 gross acres, in which Tg's net interest is 57,604 acres.

In a lease sale on December 4 conducted by the province of Alberta, Tg was a successful bidder with Pan-Canadian Petroleum, Getty Oil, and Pembina Pipeline for a 10,000-acre drilling reservation in the Gregg Mountain area west of Edmonton. Tg paid one-third of the winning bid of $2,404,686.

In Saskatchewan work is continuing on the heavy oil recovery project at North Battleford, where Texasgulf has substantial potential oil reserves.

Active interest in major areas overseas continues

Overseas, Texasgulf maintains a continuing interest in petroleum licenses in Senegal, Nicaragua, and Thailand, and is actively engaged in evaluating an 11,120-square mile concession acquired in the Indus Valley of Pakistan.

All these areas have considerable geologic potential for major oil or gas reserves. Large untested structures have been mapped in Nicaragua and Thailand and the anomaly partially tested off Senegal in 1975 warrants deeper drilling.

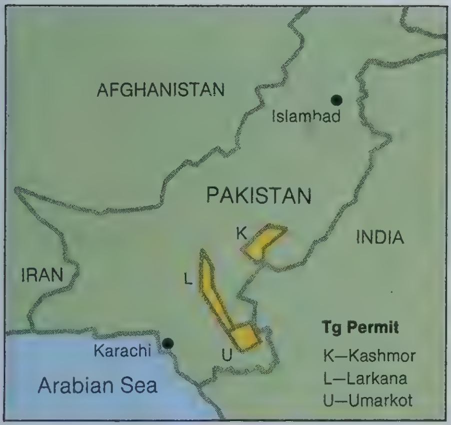
A well drilled by a subsidiary of Royal Dutch Shell on Texasgulf's Occidentale permit offshore Senegal had to be abandoned short of its objective depth because of mechanical problems with the equipment. Under terms of a farmout, Shell earned a 50 per cent interest by spending approximately $3.5 million. Interest in this concession is now shared by Shell and Tg in the proportion 78.74% to 21.26%.

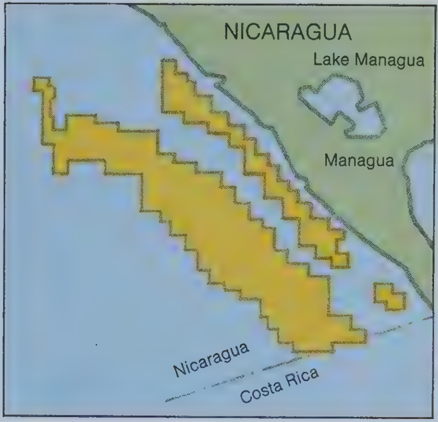
In Thailand Tg has an option to acquire up to 10 per cent of the 5-million acre Block W-7 permit in the Andaman Sea. Tg's interest offshore Nicaragua amounts to 12½ per cent.

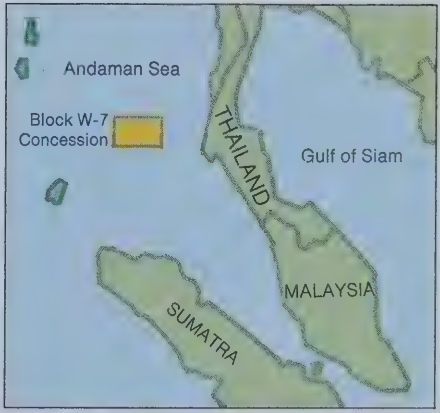
Pakistan survey work continues

A seismic survey of Tg's 11,120-square mile concession in the Indus basin of Pakistan began in September. It will investigate prospective anomalies identified earlier by a gravity survey.

On December 9, 1975, Texasgulf and Compagnie Francaise des Petroles gave notice to the government







of the Malagasy Republic that they were relinquishing all rights to the permits they have held jointly since 1969. Failure to establish commercial production offshore and political uncertainties contributed to this decision. Tg's investment in the Malagasy Republic amounted to over $4,350,000, most of which had been provided for in prior periods.

Texasgulf's oil and gas land holdings now total:

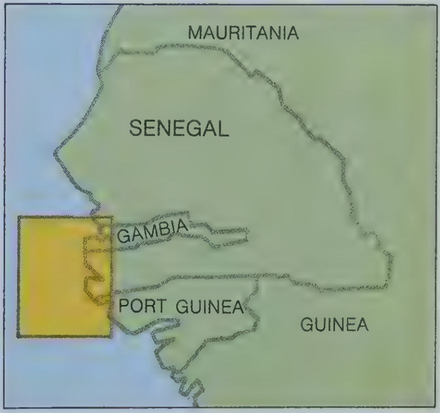
	Gross Acres	Net Acres
United States	251,985	90,652
Canada	1,137,750	324,990
Foreign	17,793,500	8,335,000

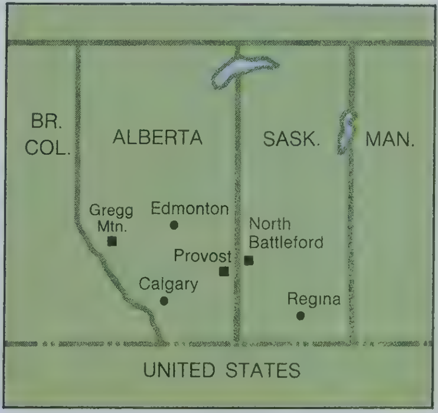
Pilot research on North Battleford heavy oil reserves encouraging

In Saskatchewan work is continuing on the heavy oil recovery project at North Battleford, where Texasgulf has a 50 per cent interest in large potential oil reserves. The last of several steaming cycles in 2 wells was completed at the end of September with encouraging results. The objective is to obtain commercial recovery of the oil which is too viscous to flow under normal reservoir conditions.

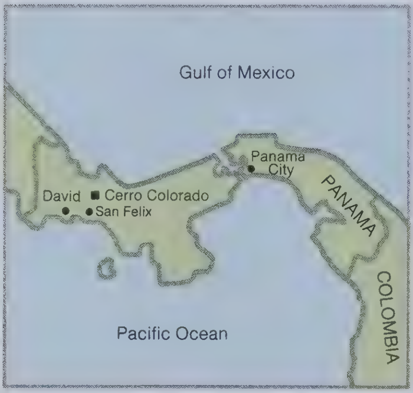
A 5-well production test on 5 acres will be undertaken in 1976 by Texasgulf and its partner in the venture, Total Petroleum (North America) Ltd. The test should provide the technical information needed to determine the feasibility of commercial production.

In the Provost area of Alberta where 64 shallow wells are now producing oil or gas a waterflood project is in progress to increase oil production and add to the company's recoverable reserves. Original in place oil is over 63 million barrels. If successful, waterflooding may increase recoverable oil to more than 20 million barrels.





International Division



Texasgulf and Panama sign agreements on Cerro Colorado

Formal agreements were signed on February 25, 1976 by Texasgulf and the government of Panama for Texasgulf's participation in the development of the large Cerro Colorado copper deposit in western Panama.

Under terms of the agreements, Texasgulf, as manager, will initially conduct a feasibility study of the project for a fee. Texasgulf will have a 20 per cent equity participation in the project, and will have a management contract to construct the project and manage it for 15 years after start-up. The Panamanian government will retain 80 per cent ownership with an option to buy Texasgulf's share after 20 years.

The deposit reportedly contains over 1 billion tons of 0.6% copper with some molybdenum and precious metals. Recent drilling indicates the ore grade may be higher with large tonnages of 1% copper.

Brown & Root, Inc. of Houston, Texas and Seltrust Engineering Ltd. of London, have been selected for engineering assistance required for the feasibility study.

The first phase of the project is planned to include a mine, concentrator, smelter and refinery to produce 150,000 tons of copper metal per year. In a later phase, a phosphate fertilizer complex is contemplated, using sulphuric acid from the copper smelter. Texasgulf would have a 49 per cent interest in this phase.

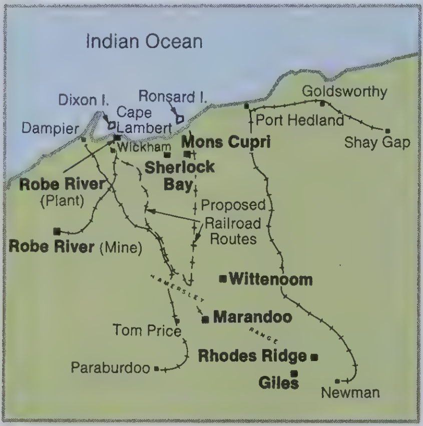
Cerro Colorado is probably the largest known undeveloped copper reserve in the world and Texasgulf is honored to have been selected to participate in and manage this project from a group which included 15 of the largest mining companies of the world.

Recent drilling on the Panama deposit indicates the ore grade may be higher with large tonnages of 1% copper.

Preliminary evaluation of the Cerro Colorado copper deposit in Panama by Texasgulf geologists began in 1975.

View from above the Cerro Colorado copper deposit which is at an altitude of 5,500 feet above sea level. ▶

International Division



Site of the Marandoo iron ore deposit with Mount Bruce, highest mountain in Western Australia, in the background.

Marandoo iron ore project in Western Australia progressing

At the Marandoo iron ore deposit in Western Australia, in which Texasgulf has a 50 per cent interest, a 30,000-ton sample of the very high grade hematite has been taken and tested in Japanese steel mill blast furnaces with very good results. The ore is also especially suitable for direct reduction.

The Marandoo deposit contains over 600 million tons — averaging about 62.6% iron, 0.05% phosphorus, 2.9% silica, and 1.9% alumina.

Development would include construction of a rail link to the Indian Ocean, crushing, grinding and loading facilities at a port, and towns for employees. Inflation has greatly increased capital cost estimates and increases in iron ore prices will be required to justify development.

A 30,000-ton sample of very high grade iron ore was taken from this open pit and shipped to Japan for testing. The ore is particularly suitable for direct reduction in steel mills.

Robe River has good year

Operations at the Robe River iron ore mine and processing complex in Western Australia, in which Texasgulf has a 10.5 per cent interest, continued at about the same high level of production and shipments in 1975 as in 1974. Construction of a new loadout and improvements in the pellet plant which were completed during the year will allow production to be increased as sales permit. Annual capacity of the pellet plant has been increased by 500,000 tons to 5.3 million tons.

In 1975 Robe River produced 6,933,000 tons of iron ore sinter fines and 3,763,000 tons of iron ore pellets. Shipments totalled 7,217,000 tons of fines and 3,917,000 tons of pellets. The operation in 1975 resulted in a profit to Texasgulf of $2,345,000 compared with $700,000 in 1974.

Peabody Coal acquisition offer

Texasgulf in partnership with Newmont Mining and the Williams Companies continues to be one of several groups offering to buy the Peabody Coal Company, a subsidiary of Kennecott Copper Corporation.

Organization changes

After an outstanding career covering 24 years of loyal and dedicated service to Texasgulf, Dr. Walter Holyk, senior vice president in charge of the Metals Division, resigned as a company officer February 11, 1976 for reasons of health. Dr. Holyk will remain an employee and work on special assignments. Succeeding Dr. Holyk will be P. Ray Clarke, formerly vice president and general manager of the Kidd Creek Operations. Mr. Clarke will continue to be located at the Kidd Creek Operations but also will have an office in Toronto. Barton A. Thomson will be general manager at Kidd Creek, and Kent D. Hoffman, marketing manager of Metals, will also be manager of the Toronto office.

More than 4,800 Shareowners are reinvesting dividends

The board of directors declared a dividend of 30 cents a share payable March 15, 1976 to shareowners of record February 17. This will be the 218th consecutive quarterly dividend payment.

More than 4,800 shareowners have now enrolled in the company's Dividend Reinvestment Plan. The percentage of shareowners participating has increased from 6 per cent in the initial enrollment to nearly 8 per cent.

Quarterly dividends of 30 cents a share were paid in 1975 on March 15, June 14, September 15 and December 15.

Employee Shareownership Plan

Under the Employee Shareownership Plan (ESP), which was established in 1974, 4,696 additional shares of Texasgulf common stock were awarded during 1975 to employees based on their years of service. Under the plan each non-officer employee receives 1 share of stock for each year of service on each 5th anniversary of employment. The 1975 awards brought the total number distributed to nearly 45,000 shares.

The primary objectives of ESP are to further recognize the loyal service of employees and to promote a better understanding of the free enterprise system and the common interests of employees, shareowners, and governments in the company's continuing growth.

By their determined and creative efforts Texasgulf's 4,800 employee-shareholders overcame the many challenges imposed by world-wide economic conditions in 1975 and made it the second best year in the company's history. On behalf of the board of directors, we would like to express our deep appreciation to them, and to all shareowners, customers and community neighbors for their support and interest throughout the year.

Nearly 45,000 shares of stock have been awarded under the Texasgulf Employee Shareownership Plan.

Respectfully submitted,

Charles F. Fogarty

Charles F. Fogarty
Chairman of the Board
and Chief Executive Officer

R. D. Mollison

Richard D. Mollison
President

March 11, 1976

Financial Review

In 1975 Texasgulf's total assets passed the $1 billion mark for the first time and at year-end totaled $1,155.7 million, an increase of 18.3 per cent over 1974.

Also in 1975 the company made its first offering of securities registered with the Securities and Exchange Commission when $125 million of 9⅜% debentures were offered to the public in December. The company's common shares were listed on the New York Stock Exchange in 1921 prior to the Securities Act of 1933. The debentures were rated AA by Standard & Poor's, their second highest rating, and A by Moody's.

The year 1975 was the second best in the company's history. Net income of $103.2 million was exceeded only by 1974's earnings of $147.3 million and was 39 per cent higher than the previous record earnings of $74 million in 1973. The decline in sales and earnings was due generally to the worldwide recession which resulted in reduced demand for most of the company's principal products.

Sales for the year amounted to $444.6 million, 22 per cent less than 1974 sales of $568.5 million. The return on sales for 1975 was 23.2 per cent. The average prices realized for many products were lower. This effect on sales was offset by higher prices for a few products, principally sulphur which had the full year's benefit in 1975 of price increases instituted in 1974. The company's consolidated sales by classes of products for each of the periods indicated are shown below:

	Year Ended December 31,				
	1971	1972	1973	1974	1975
Metals	55%	54%	59%	52%	44%
Chemicals	44	44	39	46	53
Oil & Gas, and Other	1	2	2	2	3

At the end of 1975, working capital amounted to $186.5 million, resulting in a current ratio of 2.8 to 1. Long term debt (less current maturities) increased to $227.9 million as funds were spent for the record capital expenditures program and the increase in product inventories. At year-end long term debt was 26.6 per cent of total capitalization, which was slightly lower than the average of 29 per cent over the last 10 years.

Net assets at the end of 1975 totaled $628.1 million, an increase of 12.3 per cent, with $371.8 million or 59.2 per cent outside the United States. Canada accounted for the majority of this amount, $312.8 million (not including $79.8 million (U.S.) of the Canadian dollar long term notes payable and $14.3 million long term notes payable of a subsidiary); Australia, $30.6 million; and other countries, primarily Mexico, $28.4 million.

The company's return on average stockholders' equity outstanding for 1975 was 17.4 per cent, which was above the average of 15.9 per cent for the last 5 years. In 1975, income from U.S. operations (excluding interest income and expense, corporate and administrative and exploration expense, income taxes and extraordinary charges) accounted for 40.1 per cent of the total of such income, up from 33.8 per cent in 1974 and 18.5 per cent in 1973. Conversely, in 1975, such income from Canadian operations was 56.8 per cent of the total, down from 65.0 per cent in 1974 and 80.8 per cent in 1973.

Product inventories increased $65.4 million to $139.5 million in 1975. Sulphur accounted for approximately 50 per cent of this increase due primarily to higher operating costs but also to lower unit sales. Metals represented about 33 per cent of the increase, reflecting higher zinc and copper inventories.

In addition to the public offering of debentures the company negotiated a $250 million bank credit and term loan in order to provide funds for future capital expenditures which in 1976 are expected to equal or exceed the 1975 level.

Capital Expenditures. In 1975, outlays for capital expenditures were a record $238.7 million, more than double that spent in 1974. Major capital programs were either undertaken or were on-going in four divisions in 1975.

In the Chemicals Division capital expenditures totaled $155 million for new and expanded facilities. This included $69 million for the continuing construction of the soda ash mine and processing facilities in Wyoming, $33.8 million for the expansion of acid facilities at Lee Creek, and $21.2 million for other Lee Creek facilities and the acquisition of the dicalcium phosphate plant and limestone mine in Nebraska. The Comanche Creek Frasch sulphur mine was brought into production at a cost of $14.1 million. The purchase of sulphur tank cars and normal capital improvements brought capital spending for Frasch sulphur to $23.5 million. Routine equipment replacements and improvements to facilities for the recovered sulphur and potash operations totaled $6.7 million.

The Metals Division spent $48.2 million as work on the second underground mine and related facilities continued and site preparation for the copper smelter and refinery was completed. This included $33.5 million for the development of the No. 2 underground mine and expansion of the concentrator and the copper smelter complex. The balance was spent for facility improvements and equipment at the No. 1 underground mine, the concentrator and the zinc plant.

Worldwide exploration expenditures for 1975 amounted to $26.6 million. The Minerals Exploration Division spent $10.2 million searching for and defining new mineral prospects, including $7.7 million in the United States and Canada. The Oil and Gas Division expended $16.4 million for exploration, including $6.5 million for offshore bids and $6.0 million in the United States and Canada. Additionally, the Oil and Gas Division spent $4.3 million for production facilities, bringing total capital expenditures for the division to $20.7 million.

For 1976 capital expenditures have been planned at another record level primarily for the continuation of present projects and for exploration. The current plan has budgeted approximately $280 million for capital expenditures.

In the Chemicals Division capital spending has been budgeted at $93 million with $64 million to be spent for the completion of the soda ash project. In phosphates, sulphur, and potash capital expenditures will be primarily related to present operations.

Approximately $110 million is planned for the Metals Division, with $37 million to be spent on the further development of the No. 2 underground mine and the fourth circuit in the concentrator, and $50 million for the copper smelter and refinery.

The 1976 budget for exploration totals $40 million. Oil and Gas exploration is anticipated to be $28 million, and Minerals Exploration plans are to spend about the same amount as in 1975.

Financing. During 1975 the company used $119 million of its short term investments and added new borrowings of $113 million. The funds were required principally for capital expenditures. While the company continues to expand through major capital expenditures, it is the intention of management to maintain the conservative financial policy followed throughout its history, including appropriate debt to equity ratios.

In order to meet the 1975 capital expenditures and the planned expenditures for 1976, the company completed two major new financings during 1975. On December 23, 1975 the company sold $125 million of 9⅜% debentures due 2000 which were rated A/AA by the rating agencies on this initial sale. The bonds have been listed for trading on the New York Stock Exchange. Proceeds of the sale of $113.35 million were received in December. The balance, $11.65 million, will be received on March 18, 1976 under delayed delivery contracts.

In December the company also entered into a bank credit and term loan agreement under which the company may borrow up to $250 million. The loan agreement is with 16 banks, in both New York and areas in which the company operates, with Morgan Guaranty Trust Company of New York as agent.

The loan agreement permits prepayments at any time and reborrowings during the first three years. During that period the unused portion is subject to a commitment fee of .50 per cent annually. Repayments will be made in seven semi-annual installments beginning March 31, 1980 with a final maturity on March 31, 1983. These repayments begin after the final payment on the Canadian dollar term notes. Interest will be at the minimum commercial lending rate of the lead bank for the first two years, plus a premium of .25 per cent for the third year and a premium of .40 per cent thereafter.

During the year the company made temporary borrowings under bank lines of credit. These borrowings reached a level of $70 million and were fully repaid in December. The average month-end outstanding balance was $15.3 million. Interest charges on these borrowings averaged 7.8% in 1975. In December the company made an initial borrowing of $100 million under the bank term loan. The proceeds were used to repay the temporary borrowings under bank lines of credit of $70 million and for working capital. The entire $100 million was repaid in December from the proceeds of the sale of the 9⅜% debentures.

The company's loan agreements limit the amount of total funded indebtedness. At year-end the company was permitted additional funded indebtedness of approximately $447 million. Also under these agreements retained earnings at year-end were approximately $85 million in excess of amounts restricted for the payment of dividends and acquisitions for value of the company's shares.

Dividends. During 1975 the company paid quarterly cash dividends totaling $36.7 million. Since 1921 the company has paid 217 consecutive quarterly dividends amounting to $637.5 million. The current quarterly dividend rate of 30 cents per share has been in effect since the third quarter of 1974 when it was raised from 19 cents per share.

Management's Discussion and Analysis of the Summary of Operations.

Year 1975. Net income for 1975 amounted to $103.2 million, a decline of 30 per cent from $147.3 million in 1974.

Sales for 1975 were $444.6 million compared to $568.5 million in 1974, a decrease of 22 per cent. The reduction in sales and earnings was largely due to lower demand for most of the company's principal products.

Slightly more than three fourths of the decrease in 1975 income was due to Metals. Copper and particularly zinc accounted for most of the decline. Although the demand for copper was off only slightly, the average copper price realized for 1975 was down 26 per cent from the previous year. Zinc prices remained firm during 1975, but sales of the metal and concentrates decreased substantially.

Chemicals accounted for nearly 25 per cent of the reduction in income for 1975. The major causes of the decline were lower sales and prices for dry phosphate fertilizers. Increased average prices for sulphur offset lower sales volume and sharply higher operating costs in 1975.

Operating, delivery and other related costs and expenses for 1975 were $246.7 million, a decrease of 5 per cent from 1974's $260.3 million, on lower sales volume. Unit labor, material and other costs increased in all operations because of inflation. Sulphur costs were significantly higher due to substantial increases in natural gas fuel costs and to high production costs at the Spindletop Mine which was shut down in February, 1976. Costs related to this shutdown were reflected in 1975. Also higher were charges for taxes imposed by the Saskatchewan government on potash producers commencing July 1, 1974.

Royalties, interest and other income increased $1.7 million in 1975. Increased earnings of affiliates accounted for by the equity method was largely offset by lower interest income as a result of the reduction in the company's portfolio of short term investments during the year.

Exploration charges were $7.9 million lower in 1975, primarily due to lower charges for projects determined to be unsuccessful during the year. Selling, general and administrative expenses were $2.6 million below 1974. The decrease reflects gains due to the change in accounting for foreign currency translation in accordance with FASB 8 and lower state and franchise taxes because of reduced income.

Provision for income taxes in 1975 was reduced to an overall effective rate of 39.8 per cent from 45.3 per cent in 1974. The lower rate reflects the reduced proportion of overall income in 1975 which was subject to the higher Canadian income tax rate including the Ontario Mining Tax. It also reflects less income subject to the Ontario Mining Tax because of increased processing allowance on major capital improvements currently being made at the Kidd Creek Mine.

Year 1974. Net income for 1974 amounted to $147.3 million compared to $74.0 million for 1973, an increase of 99 per cent.

Sales for 1974 of $568.5 million were 56 per cent higher than 1973 sales of $363.8 million, reflecting increased prices for substantially all of Texasgulf's products and increases in the quantities of sulphur, potash and phosphoric acid sold. Higher prices accounted for over 90 per cent of the increase.

The 1974 increase in royalties, interest, and other income was attributable primarily to higher earnings on increased funds available for short term investments and to increases in income of affiliates accounted for on the equity basis.

Operating, delivery and other related costs and expenses increased in 1974 largely due to higher production costs reflecting increases in labor and materials costs, especially natural gas used in Frasch sulphur operations and other fuel costs, and increases in the quantities of products sold.

Selling, general and administrative expenses increased $3.7 million in 1974 over 1973 due to increases in salaries and fringe benefits and also due to increases in taxes other than income taxes.

The increased interest expense in 1974 reflects higher interest rates charged on the Canadian dollar term notes.

The higher income taxes in 1974 are the result of a corresponding rise in earnings before income taxes. Canadian income taxes were substantially increased during 1974.

Quarterly Financial Highlights

	(amounts in thousands)			Per Share	
	Sales	Operating Income (2)	Net Income (3)	Net Income (3)	Dividends
1975					
1st Quarter . . .	$109,037	$ 47,064	$ 30,409	$1.00	$ .30
2nd Quarter . . .	108,822	42,437	26,186	.85	.30
3rd Quarter . . .	109,740	41,262	24,743	.81	.30
4th Quarter . . .	117,046	37,686	21,886	.71	.30
Total	$444,645	$168,449	$103,224	$3.37	$1.20
1974					
1st Quarter . . .	105,475	42,355	24,605	.81	.19
2nd Quarter(1) . .	149,040	70,304	34,504	1.14	.19
3rd Quarter . . .	157,859	81,806	45,699	1.48	.30
4th Quarter . . .	156,152	73,747	42,492	1.40	.30
Total	$568,526	$268,212	$147,300	$4.83	$ .98

(1) In the second quarter charges for the six months for the increased Canadian Provincial and Federal taxes were provided reducing net income $6.6 million or 22 cents per share.

(2) Operating income represents sales less operating, delivery and other related costs and expenses, including exploration and selling, general and administrative expenses.

(3) Quarters prior to the fourth quarter of 1975 have been adjusted to reflect the change in accounting for foreign currency translation in accordance with FASB 8.

Texasgulf Inc. and Consolidated Subsidiaries

Consolidated Statements of Income

	(amounts in thousands) Year ended December 31 1975	 Year ended December 31 1974*
Sales	$444,645	$568,526
Royalties, Interest and Other Income	17,007	15,280
	461,652	583,806
Costs and Expenses		
Operating, delivery and other related costs and expenses	246,652	260,278
Exploration	13,414	21,295
Selling, general and administrative	16,130	18,741
Interest	13,982	14,424
Income taxes	68,250	121,768
	358,428	436,506
Net Income	$103,224	$147,300
Net Income per share	$3.37	$4.83
Average Number of Shares Outstanding	30,615,846	30,483,276

Consolidated Statements of Retained Earnings

	(amounts in thousands) 1975	 1974*
Retained Earnings at January 1	$554,698	$437,281
Net Income	103,224	147,300
Cash Dividends (per share 1975 $1.20, 1974 $.98)	36,745	29,883
Retained Earnings at December 31	$621,177	$554,698

*As restated, see note 1.
See accompanying notes to consolidated financial statements.

Texasgulf Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets

ASSETS

	(amounts in thousands) December 31 1975	December 31 1974*
Current Assets		
Cash	$ 30,965	$ 13,594
Short term investments, at cost which approximates market	6,000	125,172
Accounts receivable, less allowance of $1,070 in 1975 and $950 in 1974	80,893	90,315
Inventories of minerals and products	139,460	74,098
Materials and supplies	33,277	24,225
Total Current Assets	290,595	327,404
Investments, Advances and Other Assets		
Securities of and advances to affiliates	29,241	33,359
Recoverable Federal income taxes	12,100	12,100
Notes receivable, advances and other assets	18,483	20,970
	59,824	66,429
Property, Plant and Equipment, at cost		
Lands, contract rights and development	247,923	212,889
Plants, buildings, machinery and equipment	702,510	523,951
	950,433	736,840
Less accumulated depreciation and amortization	224,749	211,601
	725,684	525,239
Unproven properties and exploration projects, less reserve for exploration costs of $13,285 in 1975 and $17,036 in 1974	79,635	57,865
	805,319	583,104
	$1,155,738	$976,937

*As restated, see note 1.
See accompanying notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

(amounts in thousands)

			December 31 1975	December 31 1974*
Current Liabilities				
Current maturities of long term debt			$ 34,611	$ 23,091
Accounts payable and accrued liabilities			53,402	40,528
Income taxes payable			7,384	67,300
Deferred income taxes applicable to current assets			8,690	4,450
Total Current Liabilities			104,087	135,369
Income Taxes Not Currently Payable			9,250	7,000
Long Term Debt, less current maturities			227,913	134,729
Deferred Credit—proceeds from advance gas sales			7,568	9,049
Deferred Income Taxes			178,793	131,438
Stockholders' Equity				
Preferred stock $1 par value—Authorized but unissued 5,000,000 shares			—	—
Common stock, without par value—Authorized 45,000,000 shares; issued as follows:	1975	1974		
Outstanding	30,672,863	30,548,572		
In treasury	3,887,137	4,011,428		
Issued	34,560,000	34,560,000	26,175	26,175
Contributed capital			4,531	2,994
Retained earnings			621,177	554,698
			651,883	583,867
Less cost of treasury stock			23,756	24,515
Stockholders' Equity			628,127	559,352
			$1,155,738	$976,937

Texasgulf Inc. and Consolidated Subsidiaries

Consolidated Statements of Changes in Financial Position

	(amounts in thousands) Year ended December 31 1975	Year ended December 31 1974*
Funds were provided from		
Net Income	$103,224	$147,300
Non-cash charges (credits) to income		
Depreciation and amortization and write-off of exploration costs of prior years	29,018	40,970
Deferred taxes and income taxes not currently payable	49,605	35,815
Equity in net income of affiliates	(5,375)	(3,700)
Other items—net	(2,099)	849
Working capital provided from operations	174,373	221,234
Long term debt borrowing	129,968	—
Short term debt borrowing	70,000	—
Dispositions of property, plant and equipment	6,901	9,398
Decrease in securities of and advances to affiliates	9,493	4,648
Transfers of common stock	2,153	1,016
Increase in accounts payable and accrued liabilities	12,874	8,675
Decrease (increase) in accounts receivable	9,422	(16,389)
Decrease (increase) in notes, advances and other assets	1,854	(5,051)
Total funds provided	417,038	223,531
Funds were required for		
Additions to property, plant and equipment	258,724	103,128
Repayment of short term debt	70,000	—
Repayment of long term debt	23,280	3,384
Dividends	36,745	29,883
Increase in inventories	74,414	19,180
Decrease (increase) in taxes payable and deferred income taxes applicable to current assets	55,676	(41,799)
Total funds required	518,839	113,776
Resulting in a (decrease) increase in cash and short term investments	(101,801)	109,755
Cash and short-term investments		
Beginning of year	138,766	29,011
End of year	$ 36,965	$138,766

*As restated, see note 1.
See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Accounting Policies

A. Principles of Consolidation. The consolidated financial statements include the accounts of the company and all of its subsidiaries. All significant intercompany balances and transactions of the consolidated companies are eliminated. The investments in affiliates (20% to 50% owned) are carried on the equity basis.

For information pertaining to the geographic distribution of the company's net assets reference is made to the sixth paragraph in the Financial Review section of this report.

B. Translation of Foreign Currencies. In 1975 the company adopted the method of accounting for translation of foreign currency transactions required by the Financial Accounting Standards Board in its Statement of Financial Accounting Standards No. 8. As a result of this change the 1974 financial statements have been restated to reflect a reduction in net income of $142,000 or $.01 per share and net income of prior years subsequent to 1970 has been decreased by $619,000. Previously reported net income and net income per share was increased (decreased) as follows: 1974 ($142,000) or ($.01) per share, 1973 $46,800 with no effect on earnings per share, 1972 ($360,880) or ($.02) per share and 1971 ($304,920) or ($.01) per share. Had the company not amended its policy 1975 net income would have been lower by $968,000 or $.03 per share. (See also note 2.)

C. Inventories. Inventories of minerals above ground and products are stated at the lower of average cost or market. Materials and supplies are stated at average cost.

D. Exploration. All expenditures on major exploration projects are capitalized pending determination of commercially exploitable reserves. The company accumulates costs initially in connection with broad areas of interest prior to property acquisition; thereafter, costs are allocated in the case of oil and gas exploration including all exploratory wells to leases acquired or concessions granted and in the case of mineral exploration to properties acquired and ultimately to specific anomalies. Costs of dry holes on producing oil and gas properties are charged to expense as incurred. Intangible oil and gas drilling costs on successful wells are capitalized, and the tax effects resulting from the deduction of such intangible drilling costs for current income tax purposes are deferred. Major projects determined to be commercially unsuccessful are charged to expense and reserves are provided for all expenditures on minor projects. General administrative expense relating to overall exploration efforts is charged to operations as incurred.

E. Development Costs. Expenditures necessary to prepare an orebody for production are capitalized prior to initial production. Thereafter expenditures of a similar nature are charged to operations, except for major expenditures which are expected to benefit several years production which are capitalized.

F. Depreciation and Amortization. The company's policy is to depreciate and amortize producing property, plant, and equipment over the estimated lives of such assets by the application of the unit-of-production method in the case of mine properties and facilities and the straight-line method in the case of manufacturing facilities. In arriving at rates under the unit-of-production method, commercially recoverable product reserves are estimated by the company's geologists and engineers. Such estimates are revised as data becomes available to warrant revision. Under the straight-line method, the annual rates applied to the cost of the assets give effect to wear and tear, deterioration from natural causes, and normal obsolescence.

G. Income Tax. The company has deferred to future periods the income tax effect resulting from timing differences between financial statement pretax income and taxable income. The deferred tax on these differences pertains principally to depreciable plant and equipment, development costs incurred on several properties, taxes and royalties included in inventories and exploration costs.

Investment tax credits utilized are deferred and amortized over the estimated lives of the related assets. (See also note 4.)

H. Pension Plan. The company has a pension plan covering substantially all employees, including employees in foreign countries. The policy is to fund pension cost accrued. (See also note 7.)

2. The aggregate exchange gain or (loss) included in determining net income amounted to $2,480,000 in 1975 and ($985,000) in 1974.

3. Depreciation and amortization of producing property, plant and equipment was $25,495,000 in 1975 compared with $25,898,000 in 1974.

4. Income tax expense comprises:

(amounts in thousands)

	U.S. Federal	Foreign	Total
1975			
Current taxes	$ 150	$15,700	$ 15,850
Deferred taxes	18,150	34,250	52,400
	$18,300	$49,950	$ 68,250
1974			
Current taxes	$10,300	$76,400	$ 86,700
Deferred taxes	12,068	23,000	35,068
	$22,368	$99,400	$121,768

Deferred tax expense results from timing differences in the recognition of transactions for tax returns and financial statement purposes. The nature and the tax effect of these differences in 1975 and 1974 were as follows:

(amounts in thousands)

	1975	1974
Excess of tax over book depreciation:		
U.S.	$ 6,350	$ 1,100
Foreign	24,650	18,950
Deferred mine development costs:		
U.S.	2,900	2,900
Foreign	4,900	2,450
Exploration costs less than (in excess of) tax deductions	2,200	(300)
Deferred intangible drilling costs	2,700	2,100
Deferred Canadian Federal Branch tax	2,550	2,100
Investment credit benefit deferred (net of amortization, $717 in 1975 and $750 in 1974)	1,100	6,050
Taxes and royalties	1,950	100
Foreign currency translation	900	(132)
Other	2,200	(250)
	$52,400	$35,068

Total tax expense is less than the amount which would be provided by applying the U.S. Federal income tax rate of 48% for the following reasons:

	1975	1974
U.S. Federal income tax statutory rate	48.0%	48.0%
Canadian income subject to Canadian income taxes but not expected to be subject to U.S. tax	(3.4)	.8
U.S. Depletion	(5.7)	(3.5)
Other	.9	—
	39.8%	45.3%

No U.S. Federal income taxes were provided on Canadian source income since the foreign tax credits arising from the Canadian taxes paid on this income are sufficient to satisfy the U.S. Federal income tax liabilities generated by this income after giving consideration to U.S. depletion deductions and U.S. Federal income tax deductions available to Western Hemisphere Trade Corporations (WHTC). Because of this and the higher Canadian income tax rates the company expects to generate excess foreign tax credits which may not be utilized.

Income taxes provided for in 1974 include the annualized effect of increases, resulting from changes proposed during early 1974 and subsequently enacted, in the Ontario Provincial taxes and the Canadian Federal income tax. Canadian Federal changes became effective May 6, 1974 and the Ontario income tax and Ontario mining tax changes became effective April 10, 1974.

At December 31, 1975 Texasgulf had investment tax credit carryforwards of approximately $7,900,000 available as credits against future U.S. Federal income taxes. Of this amount $1,200,000 expires in 1981 and $6,100,000 expires in 1982. The extent of utilization of these investment tax credit carryforwards is uncertain at this time.

The company's operations in Canada are subject to the Canadian Federal Branch tax, however, due to statutory provisions the time for payment of this tax may be deferred to future years. Accordingly amounts accrued relative to this tax have been classified as a non-current liability. Amounts accrued at December 31, 1974 had previously been included in income taxes payable.

The Internal Revenue Service has examined the company's tax returns for the years 1958 through 1965. A revenue agent's report previously received for the period 1966 through 1968 is now in the process of being amended by the Service. Concurrently, the returns filed for the years 1969 through 1971 are being examined. The Service has challenged or is proposing adjustments to the company's treatment of several items in the tax returns filed for the years 1958 through 1971.

Several issues pertaining to the earlier open years were decided in a recent Tax Court Memorandum Opinion or were agreed to by the company and the Service prior to trial.

The most significant of the remaining issues raised pertains to the company's treatment of taxes paid to Ontario pursuant to The Ontario Mining Tax Act on income from the Kidd Creek Mine. The company has claimed this tax as a credit against U.S. income taxes. On audit, the Service asserted that the tax should be a deduction in arriving at U.S. taxable income for the years 1967 through 1971. The ultimate determination of this issue, which is presently at the National Office of the Service for technical advice, will also apply to the period 1972 through April 9, 1974. The company has been advised by Messrs. Miller & Chevalier, its counsel on this issue, that with respect to the period prior to April 10, 1974 the company has a meritorious position and that there is a substantial chance that it will prevail in its contention that the Ontario mining tax is eligible for foreign tax credit.

As indicated above, in 1975 The Ontario Mining Tax Act was amended, effective April 10, 1974, and regulations under the amended Act were published. The years 1974 and 1975 have not been audited by the Internal Revenue Service and a ruling has not been requested from the Service with respect to the amended Act. As to the period commencing April 10, 1974, Messrs. Miller & Chevalier have advised that they expect the company ultimately to prevail in its contention that the Ontario Mining Tax, as amended, is eligible for foreign tax credit.

Should the Service prevail with respect to the unresolved issues, including the ineligibility for credit of the Ontario Mining Tax through April 9, 1974, that tax being considered clearly eligible for credit after that date by the company, additional U.S. Federal income taxes and interest would be paid in the amount of $27,000,000 resulting in a reduction of retained earnings for years prior to 1974 in the amount of $18,250,000 after applicable reductions of deferred income taxes provided in prior years. The effects on income for the period beginning with 1974 would be insignificant.

The company intends to contest all of the major issues referred to above and expects to prevail.

5. Long Term Debt

	(amounts in thousands)	
	Dec. 31, 1975	Dec. 31, 1974
Canadian dollar term notes, due 1979 ...	$ 79,805	$101,070*
5.75% notes, due 1986 (of a subsidiary) ..	14,250	15,500
4.7% notes, due 1989	38,500	41,250
9⅜% debentures due 2000	113,350	—
Other notes payable	16,619	—
	262,524	157,820
Less current maturities	34,611	23,091
	$227,913	$134,729

*As restated, see note 1.

The Canadian dollar term notes bear interest at ½ of 1% over the banks' minimum commercial lending rates. The overall interest charge on the Canadian notes averaged 9.9% during 1975 and was at 10.25% at year-end. Required principal repayments of $18.9 million (Canadian) were made during 1975. Annual repayments of $22.2 million (Canadian) are required in 1976 through 1978 and $14.4 million (Canadian) in 1979.

The 5.75% notes, due 1986 (of a subsidiary) require semi-annual payments as follows: $625,000 in 1976 through 1985; and $875,000 in 1986. The 4.7% notes due in 1989 require annual payments totalling $2,750,000.

Annual sinking fund payments for redemption of $8,250,000 principal amount of the 9⅜% debentures are required for the years 1986 to 1999 and a final payment of $9,500,000 in the year 2000.

Other notes payable include debt related to land acquisitions in North Carolina and advances received in connection with oil and gas exploration properties offshore Louisiana. Interest rates range up to 11% with maturities through 1985. Of this amount $8.7 million will be repaid in 1976.

The total maturities on all the foregoing notes and debentures in the next five years are as follows:

	(amounts in thousands)
1976	$ 34,611
1977	$ 27,168
1978	$ 27,068
1979	$ 19,281
1980	$ 4,762

At the end of 1975 the company had a contingent obligation as guarantor of 35 per cent of $56.5 million borrowed from banks by an affiliate and used in construction of the Robe River iron ore project. The company is also the guarantor of 35 per cent of the affiliate's borrowing under a credit agreement with Export-Import Bank of the United States for up to $5.5 million, which approximates the amount borrowed as of year end.

There are no agreements with any bank, either written or implied, that the company is to maintain any demand deposit in a determined amount which would constitute support for existing borrowing arrangements, including both outstanding borrowings and the assurance of future credit availability. However, it is the company's internal financial policy to maintain demand deposit balances sufficient in the company's judgment to insure the continued availability of credit as the company may require.

For certain additional information regarding long term debt reference is made to the second through sixth paragraphs under "Financing" in the Financial Review section of this report.

6. Under a stock option plan approved by the stockholders in April, 1961 options were granted to officers and employees of the company to purchase shares of the company's stock. Options become exercisable, as to 40 per cent eighteen months after date of grant, as to 70 per cent three years after date of grant, and as to 100 per cent four years after date of grant and expire five years after date of grant. The plan was terminated during 1971 as to the grant of additional options.

Under a stock option plan approved by the stockholders in April, 1972 options may be granted to officers and key employees of the company to purchase up to 750,000 shares. In addition to granting "qualified stock options" which expire five years after date of grant, the company may also grant "non-qualified stock options" whose term shall not exceed ten years. Options granted in 1973 under the Plan were "qualified stock options" and were to become exercisable in steps and over time periods similar to those granted under the 1961 plan. These options have been amended to become fully exercisable after two years from date of grant. Some of the options granted in 1974 and all of the options granted in 1975 are "qualified stock options." All become exercisable as to 40 per cent of the total granted one year from date of grant, as to 70 per cent two years after date of grant, and as to 100 per cent three years after date of grant.

Under the options granted during 1974 optionees who are not officers or directors may elect at any time during the exercisable period to receive from the company the excess of the then fair market value of the shares exercisable over the option price. The Board of Directors has retained the power to cancel or suspend this right of election. The company will satisfy any liability arising from such election in either cash or capital stock of the company or a combination of both at the election of the optionee. Under the options granted during 1975, the right to elect to receive from the company the excess of fair market value of the shares exercisable over the option price was restricted to employees who were not at the time of grant, and who do not at any time prior to the exercise of such right, become residents or citizens of the United States, and such rights may not be exercised by an officer or director of the company.

Except as related to the election discussed in the preceding paragraph no accounting entries would be made until such time as an option is exercised. In the case of options granted which have this right of election the estimated costs to the company relative to this election are accrued and charged to operations over the option period. The excess of proceeds and accrued charges over the cost of shares transferred from the treasury is credited to contributed capital.

	1975		1974	
During the Year Options:	Shares	Option Price Per Share	Shares	Option Price Per Share
Were granted	151,500	$\$33\frac{5}{16}$	126,850	$\$27\frac{9}{16}$
Became exercisable	243,930	$17\frac{1}{4}$-$27\frac{9}{16}$	49,200	$15\frac{15}{16}$-20
Were cancelled or expired	2,000	$27\frac{9}{16}$-$33\frac{5}{16}$	7,400	$22\frac{3}{4}$-$27\frac{9}{16}$
Were exercised ...	101,825	$15\frac{15}{16}$-$22\frac{3}{4}$	47,400	$15\frac{15}{16}$-20

At December 31, 1975 there were 446,000 shares under option, 221,830 shares of which were exercisable at prices ranging from $20 per share to $\$27\frac{9}{16}$ per share.

In April, 1970, stockholders approved a Career Incentive Stock Plan. Under the Plan awards not to exceed 250,000 shares may be made out of treasury stock to officers and other key employees of the company and its subsidiaries. In 1975 awards of 80,850 shares were made, awards of 1,920 shares previously granted were cancelled, and 17,770 shares were transferred to the employees under the plan. In 1974, awards of 68,800 shares were made, awards of 2,515 shares previously granted were cancelled and 12,385 shares were transferred to the employees under the plan. Awards outstanding at December 31, 1975 and December 31, 1974 amounted to 192,905 shares and 131,745 shares respectively. An amount equal to the fair market value of the shares at the time of award is being

charged to income over the period in which the awards will be earned. Accordingly $863,000 was charged to income during 1975 ($673,000 in 1974). Shares are transferred 20% upon the second anniversary of the award and each anniversary thereafter.

The shares reserved for issuance under the above plans amounted to 937,550 at December 31, 1975 and 1,057,145 at December 31, 1974.

The Employee Shareownership Plan adopted in 1974 provides for initial and subsequent distributions of the company's common shares to all full time employees except senior officers based on years of service with the company.

Beginning in 1975, every employee on each fifth anniversary of employment will receive one share of stock for each year of service. In the initial distribution slightly over 40,000 shares were awarded. It is expected that approximately 43,000 shares will be distributed to employees under the plan over the next five years. During 1975, 4,696 shares were distributed.

In 1975 contributed capital increased by $1,537,000 ($1,569,000 in 1974) and treasury stock decreased by $759,000 ($619,000 in 1974) due to the transfer of common stock under the stock option, career incentive, and the employee shareownership plans.

7. Pension expense for 1975 and 1974 was $7,145,000 and $5,321,000 respectively. The increase in pension expense in 1975 is attributable principally to the overall increase in wages paid reflecting both higher salaries and an increase in the number of employees.

At December 31, 1975 and 1974 the market value of Plan assets exceeded the actuarially computed value of vested benefits. It is expected there will be no significant increase in pension costs as a result of the Pension Reform Act.

8. Rent expense amounted to $9,295,000 in 1975 and $8,569,000 in 1974 after receipts for subleases of $331,000 and $427,000 respectively. Of these amounts $4,207,000 in 1975 and $4,317,000 in 1974 pertained to vessels used in the transportation of liquid sulphur and were determined on the basis of vessel usage.

The minimal rental commitments under all noncancellable leases as of December 31, 1975 were as follows:

(amounts in thousands)

	1976	1977	1978	1979	1980
Liquid sulphur vessels	$2,031	$1,999	$ 942	$ —	$ —
Rail cars and equipment	1,582	1,258	1,129	940	577
Office space	1,335	1,377	1,365	1,288	1,268
Other	82	14	—	—	—
	$5,030	$4,648	$3,436	$2,228	$1,845

	1981 through 1985	1986 through 1990	1991 through 1995	Remainder
Liquid sulphur vessels	$ —	$ —	$ —	$ —
Rail cars and equipment	1,372	232	—	—
Office space	4,852	1,145	938	381
Other	—	—	—	—
	$6,224	$1,377	$938	$381

The above amounts are net of rentals to be received on subleases of office space of $259,000 annually in 1976 through 1980; $1,158,000 for the years 1981 through 1985 and $262,000 for the years 1986 through 1990. There are no rentals after 1990.

The minimal rental commitments for noncapitalized financing leases consist of the amounts reported above for "Liquid sulphur vessels" and "Rail cars and equipment."

The effect on net income if all noncapitalized financing leases were capitalized, related assets were amortized on a straight-line basis, and interest costs were accrued on the basis of the outstanding lease liability would not be material.

9. The company is engaged in various major construction and plant expansion programs which in the aggregate are expected to cost approximately $600,000,000 of which approximately $201,000,000 had been spent through December 31, 1975.

10. On November 12, 1975, the government of Saskatchewan announced a plan to acquire the assets of some or all of the producing potash mines in the province, and legislation has been enacted to provide for expropriation of mines which the government wants to buy but which the owners will not sell through negotiation. A board of arbitrators would determine a "fair and equitable price" in such a case, and either party could appeal from the decision of the board to the courts. For 1975 the company's sales of potash produced from Allan Potash Mines amounted to approximately 2% of the company's consolidated sales. The company's net investment in Allan Potash Mines is not material in relation to total consolidated net assets.

Accountants' Report

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
345 PARK AVENUE
NEW YORK, NEW YORK 10022

To the Stockholders of Texasgulf Inc.

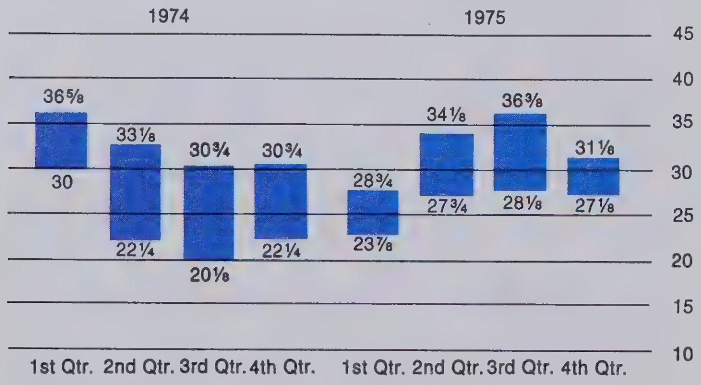
We have examined the balance sheets of Texasgulf Inc. and consolidated subsidiaries as of December 31, 1975 and December 31, 1974 and the related statements of income, retained earnings and changes in financial position for the two years ended December 31, 1975. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of Texasgulf Inc. and consolidated subsidiaries at December 31, 1975 and December 31, 1974 and the results of their operations and changes in their financial position for the two years ended December 31, 1975, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change in the method of accounting for the translation of foreign currency as explained in note 1.

Peat, Marwick, Mitchell & Co.

February 20, 1976

High-Low Market Prices Texasgulf Common Stock



Dividends Paid per Share

$.19 .19 .30 .30 $.30 .30 .30 .30

Prices shown are from the New York Stock Exchange where Texasgulf's shares are listed under the symbol Tg. They are also listed on the Toronto Stock Exchange under the symbol TXG.

Texasgulf Inc. and Consolidated Subsidiaries

Ten Year Financial Summary

Income (in millions of dollars)

Sales
Royalties, interest and other income
Operating, delivery and other related costs and expenses, including exploration
Selling, general and administrative expenses
Interest expense
Income taxes
Income before extraordinary charge
Extraordinary charge net of applicable income taxes
Net income

Financial Position (in millions of dollars)

Current assets
Current liabilities
Working capital
Mineral and product inventories
Property, plant and equipment—net
Total Assets
Long term debt, less current maturities
Stockholders' equity

Other Data**

Per Share of Common Stock—
  Income before extraordinary charge
  Extraordinary charge, net of tax
  Net income
  Dividends
  Market price range per share
Number of stockholders
Average number of shares outstanding (in thousands)

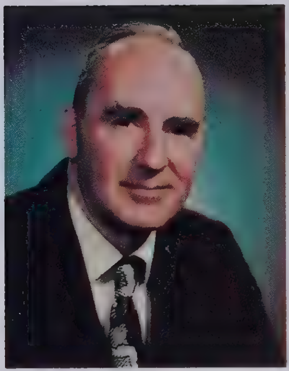
*As restated, see note 1.

**Adjusted for three-for-one stock split at May 6, 1968.

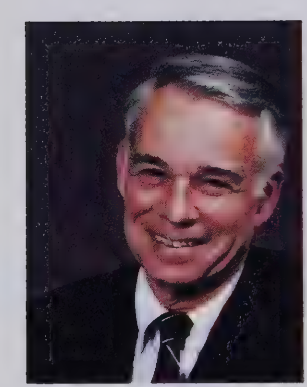
1975	1974*	1973*	1972*	1971*	1970	1969	1968	1967	1966
$444.6	$568.5	$363.8	$270.5	$217.7	$219.5	$239.3	$266.0	$222.7	$130.3
17.0	15.3	5.3	2.9	3.2	10.9	10.8	7.9	3.8	3.3
260.1	281.6	220.7	195.2	159.6	143.1	147.6	155.9	125.9	84.4
16.1	18.7	15.0	14.0	13.6	11.7	11.8	10.4	10.1	9.7
14.0	14.4	12.6	12.0	8.8	7.5	6.9	6.6	6.8	4.7
68.2	121.8	46.8	22.0	14.0	22.3	22.3	29.5	20.7	6.9
103.2	147.3	74.0	30.2	24.9	45.8	61.5	71.5	63.0	27.9
—	—	—	—	(4.7)	—	—	—	—	—
103.2	147.3	74.0	30.2	20.2	45.8	61.5	71.5	63.0	27.9
290.6	327.4	182.1	156.0	144.7	182.3	226.3	199.6	92.8	57.4
104.1	135.4	67.9	62.3	57.6	94.6	53.4	48.9	25.7	26.4
186.5	192.0	114.2	93.7	87.1	87.7	172.9	150.7	67.2	31.0
139.5	74.1	63.6	70.5	67.8	57.9	49.2	37.6	29.0	18.6
805.3	583.1	530.5	492.2	462.4	419.4	310.2	300.2	295.2	278.4
1,155.7	976.9	776.0	771.4	670.0	647.1	576.3	529.0	418.1	364.7
227.9	134.7	157.2	173.4	169.1	119.9	117.3	125.5	115.0	135.0
628.1	559.4	439.7	384.6	372.4	370.4	342.8	297.9	235.6	175.6
3.37	4.83	2.43	.99	.82	1.51	2.02	2.36	2.08	.92
—	—	—	—	(.15)	—	—	—	—	—
3.37	4.83	2.43	.99	.67	1.51	2.02	2.36	2.08	.92
1.20	.98	.64	.60	.60	.60	.55	.33⅓	.13⅓	.13⅓
6⅜-23⅞	36⅝-20⅛	33⅛-17⅛	20¾-14¾	24⅜-11¼	23¼-13	39⅞-19⅛	49⅞-29	53⅓-32¼	43⅞-22¾
64,534	66,881	64,841	80,247	82,511	79,728	72,149	62,001	48,529	49,553
30,616	30,483	30,417	30,396	30,386	30,386	30,384	30,324	30,223	30,127

Officers

H. V. W. Donohoo


P. Ray Clarke

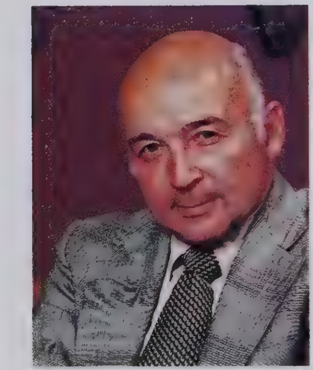
James W. Estep


David M. Crawford

Charles F. Drees

David C. Edmiston, Jr.

Dr. Gino P. Giusti


John W. Hall, Jr.

Earl L. Huntington

Kenneth J. Kutz

Gordon N. McKee, Jr.

Walter F. Meyer

Dr. Leo J. Miller

Frank R. Moulton, Jr.

Dr. James R. West

Officers and Staff

Charles F. Fogarty
Chairman of the Board
and Chief Executive Officer

Richard D. Mollison
President

H. V. W. Donohoo
Executive Vice President

P. Ray Clarke
Senior Vice President
Metals Division
Timmins, Ontario

James W. Estep
Senior Vice President
Western Operations
Englewood, Colorado

David M. Crawford
Secretary

Charles F. Drees
Vice President
and General Manager
Frasch Sulphur Operations
Newgulf, Texas

David C. Edmiston, Jr.
Vice President
Phosphate Operations
Raleigh, North Carolina

Gino P. Giusti
Vice President
Employee Relations
and Administration

John W. Hall, Jr.
Vice President
Marketing

Earl L. Huntington
Vice President
and General Counsel

Kenneth J. Kutz
Vice President
International Division

Gordon N. McKee, Jr.
Vice President
and Treasurer

Walter F. Meyer
Vice President
and Controller

Leo J. Miller
Vice President
Minerals Exploration
Division
Golden, Colorado

Frank R. Moulton, Jr.
Vice President
and General Manager
Oil and Gas Division
Houston, Texas

James R. West
Vice President
Research and Engineering

Administrative	Charles J. Gillem	Insurance Manager and New York Office Manager
	J. Morgan Gregory	Aviation Manager
	John S. Taylor	Assistant to the President
Data Processing	**Raleigh, North Carolina**	
	John G. Stengel	Manager
	William F. Hodge, II	Computer Operations Supervisor
	Francis J. Moore	Systems and Programming Supervisor
	David L. Rutledge	Systems and Programming Supervisor
Employee Relations	F. Wayne White	Manager
	Thomas G. Downing	Assistant Manager
	William O. Britt	Compensation Manager
Finance	John J. Burke	Assistant Credit Manager
	James A. Campbell	Assistant Controller, Taxes
	James J. Finn	Assistant Controller, General Accounting
	Robert P. Hedley	Assistant Treasurer
	John E. Johnson	Assistant Treasurer
	Daniel H. Payne	Assistant Manager, Taxes
	William F. Seamon	Credit Manager
	John T. Thornton	Assistant Controller, Accounting Policy
Internal Audits and Budgets	John T. Duffy	Manager
	James P. Finnigan	Budget Supervisor
	Michael Kudlick	Audit Supervisor
Law	Joseph C. Brown	Assistant General Counsel and Assistant Secretary, Houston
	Charles W. Wilder	Assistant General Counsel and Assistant Secretary
	Meredith P. Crawford, Jr.	Senior Counsel and Assistant Secretary
	George W. Hugo	Senior Counsel, Houston
	Lucius W. Pullen	Senior Counsel, Raleigh

Unless otherwise indicated location is New York

Marketing		
Advertising	Charles S. Bryk	Manager
	William J. Cotter	Assistant Manager
Marketing Research	Paul A. Rittenhouse	Manager
	James A. Orser	Assistant Manager
Transportation and Distribution	**Houston, Texas**	
	Ted G. White	General Manager
	Wilson R. Atwood	Rail Equipment Manager
Public Relations	William D. Askin	Assistant Manager, Public Relations, and Editor, Triangle Magazine
Research and Engineering	Harry G. Bocckino	Research Laboratory Manager, Golden
	Robert J. Boyle	Assistant Manager
	Jack H. McLellan	Assistant Manager
	Alan G. Perry	Assistant Manager, Toronto, Ontario

Operations

Chemicals Division

Frasch Sulphur	**Houston, Texas**	
	Frank J. Claydon, Jr.	Sulphur Sales Manager and Houston Office Manager
	H. Newton Cunningham, Jr.	Assistant Sales Manager, Sulphur
	V. Benner Dowe	Government Relations Manager
	Walter B. Gillette	Assistant Sales Manager, Sulphur, New York
	Earl W. Hanna	Assistant to the Houston Office Manager
	William F. Mason	Assistant Sales Manager, Sulphur
	Robert L. Vordick	Distribution Manager
	Newgulf, Texas	
	Byron N. Soderman	Assistant General Manager
	Douglas C. Anders	Accounting Manager
	Kenneth D. Bishop	Maintenance Manager
	R. Lindsay Carter, Jr.	Purchasing & Warehousing Manager
	Murray O. Clapp	Traffic Manager
	Ernest M. Dunn	Mine Manager, Moss Bluff, Texas
	Wayne Herrington	Engineering Manager
	Edmond Herschap, Jr.	Employee Relations Manager
	Leonard M. Mason	Quality Control Manager
	Alec C. Mayfield	Power Plant Manager
	Robert L. McDaniel	Terminal Manager, Beaumont, Texas
	Royce L. Northcutt	Field Manager
	Lloyd L. O'Neal, Jr.	Mine Manager, Bully Camp, Louisiana
	George O. Richardson	Mine Manager, Comanche Creek, Texas
	Noe Sonnier	Operations Manager, Beaumont
	Raymond J. Staffa	Administrative Assistant to the General Manager
	Clinton P. White	Public Relations Manager
Phosphate	**Raleigh, North Carolina**	
	John H. Wiley	Marketing Manager, Fertilizer Materials
	Scott F. Stidham	Administrative Manager
	Jerome F. Brim	Sales Manager, Animal Feed Products, Weeping Water, Nebraska
	June W. Crawford	Engineering Manager
	Robert J. Forest	Dicalcium Phosphate Operations Manager, Weeping Water
	Robert B. Gibbs	Domestic Sales Manager, Fertilizer Materials
	John T. Gough	Billing Supervisor
	Anderson O. Harwell	Technical Salesman, Fertilizer Materials
	Thomas M. McNally, Jr.	Division Accountant
	Jack L. Milani, Jr.	Market Planning Manager
	Thomas L. Perkins	International Sales Manager, Fertilizer Materials
	Roy F. Underwood	Sales Systems Manager
	Maurice S. Weber	Transportation Manager

	Aurora, North Carolina	
	James R. Paden	General Manager
	Thomas J. Wright	Assistant General Manager
	Cameron W. Albin	Acid Plants Superintendent
	Donald L. Bennett	Distribution Supervisor
	Walter E. Bondurant	Super Acid Superintendent
	Clyde W. Davis, Jr.	Dredging and Reclamation Superintendent
	Harvey A. Franz, Jr.	Chief Accountant
	Mitchell T. Harris	Maintenance Superintendent, Mine
	John D. Heard	Administrative Superintendent
	John M. Hird	Mine Superintendent
	Delbert R. Jones, Jr.	Purchasing Agent
	H. Wendell McGee	Fertilizer Plants Superintendent
	Carroll J. Moore	Information Services Supervisor
	John R. Pyburn	Employee and Public Relations Manager
	James N. Richardson	Mill Superintendent
	Frank H. Robinson	Chemical Plants Manager
	Julius M. Taylor	Maintenance Superintendent, Chemical Plants
	Guy W. Whitaker	Laboratories and Environmental Control Superintendent
	Brooks M. Whitehurst	Engineering Services Manager
	Lee M. Yarberry	Mine Manager
Western Operations	**Englewood, Colorado**	
	James A. L. White	Assistant to the Senior Vice President
	Gary C. Pickard	Accounting Supervisor
Potash	**Moab, Utah**	
	Rudolph S. Higgins	Manager
	Paul Arthur	Chief Accountant
	Albert K. Gentry	General Superintendent
	Robert E. MacAdams	Employee Relations Supervisor
	Charles L. Squires	Safety and Environmental Supervisor
Recovered Sulphur	**Calgary, Alberta**	
	Frederic J. Ronicker	Manager
	Edward W. Plum	Assistant Manager
	Donald H. Davies	Plant Superintendent, Okotoks, Alberta
	Dennis B. Kanten	Traffic Coordinator
	Robert R. MacGregor	Chief Accountant
	T. Stafford Mosher	Employee Relations and Office Manager
	James J. Rennie	Traffic Superintendent, Whitecourt, Alberta
	Douglas H. Whitaker	Vat Superintendent, Whitecourt
Soda Ash	**Granger, Wyoming**	
	Robert E. Clagett	Project Manager, Englewood
	Paul V. Bethurum	Manager
	Richard G. Bryan	Sales Manager, Englewood
	Edward H. Conroy	Technical Services Manager
	Ronald J. Esling	Purchasing Agent
	Robert J. Garland	Maintenance Superintendent, Surface
	William H. Johnston	Housing Manager
	James A. King	General Superintendent, Surface
	George M. Lasley	Maintenance Superintendent, Mine
	John Manyak	Chief Accountant
	Donald R. Mobley	Mill Superintendent
	Herbert S. Price	Mine Superintendent
	Richard C. Reynolds, Jr.	Employee Relations Superintendent
Caustic Soda-Chlorine Project	**Newgulf, Texas**	
	Kenneth D. Bishop	Project Manager

Metals Division	**Toronto, Ontario**	
	Kent D. Hoffman	Metals Marketing Manager and Toronto Office Manager
	Bruce W. Gilbert	Sales Manager, Metals
	Leroy T. Kling, Jr.	Accounting Supervisor
	H. Devon Smith	Public Relations Manager
	St. Louis, Missouri	
	Howard L. Young	Zinc Metal Sales
	Timmins, Ontario	
	Barton A. Thomson	General Manager
	Michael P. Amsden	Assistant General Manager
	David G. Baskin	Traffic Manager
	J. Eric Belford	Mining Manager
	Donald F. Grenville	Employee Relations and Administrative Manager
	Steven W. Alexanders	Employee Relations Superintendent
	Clarence V. Amyotte	Mine Superintendent, Surface
	Colin Chapman	Mill Superintendent
	George C. Coupland	Special Projects Superintendent
	Frederick A. Edwards	Mine Superintendent, Underground No. 1 Mine
	George M. Freeman	Zinc Plant Superintendent
	G. Merle T. Marshall	Engineering Superintendent
	Angelo Matulich	Chief Geologist
	David L. McKay	Mine Superintendent, Underground No. 2 Mine
	William H. Niemi	Traffic Superintendent
	Leonard D. Sanderson	Maintenance Superintendent
	Albert W. Scragg	Chief Accountant
	Ronald M. Sweetin	Copper Refinery Superintendent
	Donald G. Treilhard	Copper Smelter Superintendent
Oil and Gas Division	**Houston, Texas**	
	Weyman W. Crawford	Assistant General Manager, North America
	Clyde S. Deal	Assistant General Manager, Foreign
	Robin L. Lyon	Regional Manager
	Maurice Mazurkewich	Regional Manager, Calgary
	Charles H. Moritz	Chief Accountant
International Division	Kurt O. Linn	Special Projects Manager
Minerals Exploration Division	**Golden, Colorado**	
	George W. Mannard	Regional Manager, Toronto
	Edward J. Poole	Regional Manager, Johannesburg, South Africa
	Morland E. Smith	Regional Manager, Perth, Australia
	James H. Ogg	Administrative Manager
	George Podolsky	Chief Geophysicist
Farm Division	**Johnsonburg, Pennsylvania**	
	Arthur L. Bennett	Manager
Subsidiaries		
Pakistani Texasgulf Inc.	James B. West	Vice President, Karachi, Pakistan
Texasgulf Australia Ltd.	Kenneth J. Kutz	President
	J. G. Pinkerton	Vice President, Perth
Texasgulf Canada Ltd.	Richard D. Mollison	President
	P. Ray Clarke	Executive Vice President, Timmins
Texasgulf Export Corporation	Michael C. Hughes	Vice President, London, England
Texasgulf Panama Inc.	Kenneth J. Kutz	President
	Enrique J. Ruiz-Williams	Vice President, Panama City, Panama
Affiliates		
Allan Potash Mines	James A. L. White	Tg Representative, Englewood
Cia. Exploradora del Istmo, S.A. (C.E.D.I.)	Robert M. Stoy	Tg Chief Technical Adviser to C.E.D.I., Texistepec, Mexico
Phosphate Chemicals Export Association, Inc.	Charles F. Fogarty	Chairman of the Board
Sulphur Export Corporation	John W. Hall, Jr.	Chairman and Joint Managing Director
	S. Keith Hardwick	Vice President

During 1975 Texasgulf's board of directors held one of its meetings in Mexico and visited the Frasch sulphur operations there in which the company has a 34 per cent interest. Photographed following the meeting, the directors are (left to right): John P. Gallagher, Dr. Guy T. McBride, Jr., Louis R. Desmarais, Richard M. Thomson, Richard D. Mollison, Donald B. Smiley, Dr. Charles F. Fogarty, H. Anthony Hampson, Harold Decker, Claude O. Stephens, John M. Meyer, Jr., and Allan Shivers.

Directors

Harold Decker
Director Emeritus of Halliburton Company, Member of the Executive Committee and Director of Temple-Eastex Incorporated
Director of Earth Resources Company
Houston, Texas

Louis R. Desmarais
Chairman of the Board
Canada Steamship Lines (1975) Limited
Montreal, Quebec

Charles F. Fogarty
Chairman of the Board and Chief Executive Officer
New York, New York

John P. Gallagher
Chairman of the Board and Chief Executive Officer
Dome Petroleum Limited
Calgary, Alberta

H. Anthony Hampson
President and Chief Executive Officer
Canada Development Corporation
Toronto, Ontario

Guy T. McBride, Jr.
President
Colorado School of Mines
Golden, Colorado

John M. Meyer, Jr.
Director of
J. P. Morgan & Co. Incorporated and Morgan Guaranty Trust Company of New York, New York

Richard D. Mollison
President
New York, New York

Allan Shivers
Chairman of the Board
Austin National Bank
Austin, Texas

Donald B. Smiley
Chairman of the Board and Chief Executive Officer
R. H. Macy & Co., Inc.
New York, New York

Claude O. Stephens
Consultant
New York, New York

Richard M. Thomson
President
The Toronto-Dominion Bank
Toronto, Ontario

Executive Offices
200 Park Avenue, New York
New York 10017

Honorary Directors

Edward K. Brass
Upper Montclair, New Jersey

George S. Eccles
Director, President and Chief Executive Officer of
First Security Corporation
Salt Lake City, Utah

Thomas M. Phillips
Senior Partner
Baker & Botts
Houston, Texas

Lowell C. Wadmond
Partner
White & Case
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Toronto, Ontario
Canada M5C 1T4

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Canada M4R 2E2

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